

## **EXHIBIT A**

## SETTLEMENT AGREEMENT

October 15, 2007

by and among

Solutia Inc.,

Monsanto Company,

and

SFC LLC

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## **SETTLEMENT AGREEMENT**

This SETTLEMENT AGREEMENT (this "Agreement") is made as of October 15, 2007 by and among Solutia Inc., a Delaware corporation ("Solutia") Monsanto Company ("Monsanto") and SFC LLC, a Delaware limited liability company directly and wholly owned by Solutia ("Funding Co").

### **RECITALS**

WHEREAS, Solutia was created as a subsidiary of Pharmacia Corporation, formerly known as Monsanto Company ("Pharmacia"), to operate Pharmacia's chemicals business and was spun off to shareholders (the "Solutia Spinoff") effective as of September 1, 1997 (the "Solutia Spinoff Date").

WHEREAS, in connection with the Solutia Spinoff, Solutia and Pharmacia entered into the Distribution Agreement, setting forth the allocation of the liabilities between Solutia and Pharmacia relating to Pharmacia's historical chemicals business.

WHEREAS, Monsanto was created as a subsidiary of Pharmacia to operate Pharmacia's agricultural business and was spun off to shareholders (the "Monsanto Spinoff") on September 1, 2000 (the "Monsanto Spinoff Date").

WHEREAS, in connection with the Monsanto Spinoff, Monsanto agreed to indemnify Pharmacia in the event and to the extent that Solutia failed to perform or discharge certain of its liabilities under the Distribution Agreement.

WHEREAS, on July 1, 2002, Pharmacia, Monsanto and Solutia entered into an amendment to the Distribution Agreement, whereby Solutia agreed to indemnify Monsanto for losses suffered by Monsanto as a result of Solutia's failure or inability to fulfill its obligations to Pharmacia under the Distribution Agreement.

WHEREAS, on December 17, 2003 (the "Petition Date"), Solutia commenced a case ("Solutia Chapter 11 Case") with the Bankruptcy Court under chapter 11 of the Bankruptcy Code.

WHEREAS, on February 14, 2006, Solutia originally filed a plan of reorganization with the Bankruptcy Court.

WHEREAS, on May 16, 2007, Solutia filed its First Amended Joint Plan of Reorganization with the Bankruptcy Court.

WHEREAS, on July 9, 2007, Solutia filed its Second Amended Joint Plan of Reorganization with the Bankruptcy Court.

WHEREAS, on July 25, 2007, submitted its Third Amended Joint Plan of Reorganization to the Bankruptcy Court.

WHEREAS, on August 10, 2007, Solutia submitted its Fourth Amended Joint Plan of Reorganization to the Bankruptcy Court.

WHEREAS, on October 15, 2007, Solutia submitted its Fifth Amended Joint Plan of Reorganization to the Bankruptcy Court.

WHEREAS, Monsanto has paid in excess of \$50 million in Environmental Liability Costs with respect to the Shared Sites (as defined herein) since the Petition Date (such \$50 million amount, the "Monsanto Payment").

WHEREAS, this Agreement, the Plan and the Retiree Settlement Agreement constitute a single integrated settlement agreement, and together set forth the terms of a settlement (the "Settlement") between and among Solutia, Monsanto, Pharmacia, the Retirees' Committee, the Creditors' Committee and the Ad Hoc Trade Committee.

WHEREAS, in connection with the Settlement, Monsanto will receive, as set forth in the Plan, up to one hundred seventy five million dollars (\$175 million) in cash and/or up to seventeen percent (17%) of Solutia's New Common Stock in exchange for, among other things, Monsanto's agreement to be financially responsible for (i) the Legacy Tort Claims (as defined herein), (ii) all Environmental Liabilities related to the Legacy Sites (as defined herein), and (iii) Monsanto's share of the Shared Payments (as defined herein).

WHEREAS, in accordance with the Plan and the terms of this Agreement, the Distribution Agreement constitutes a prepetition, non-executory contract and, subject to the Parties' obligations under the Plan, this Agreement and the Plan Documents, is superseded and, on the Effective Date, of no further force and effect.

WHEREAS, this Agreement, the Plan and the Plan Documents supersede the Distribution Agreement and the Settlement Agreement dated August 10, 2007 and set out the relationship among the parties hereto.

WHEREAS, on the Effective Date, Solutia and Monsanto will enter into a registration rights agreement (the "Registration Rights Agreement") substantially in the form annexed hereto as Exhibit R.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties agree as follows:

## **ARTICLE I DEFINITIONS**

Section 1.01 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"AAA" has the meaning set forth in Section 9.03.

"Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority, court or any arbitration or mediation tribunal.

"Ad Hoc Trade Committee" has the meaning assigned to it in the Plan.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise; provided, that in no event shall Monsanto, Pharmacia or Solutia be considered Affiliates of one another.

"Agreement" has the meaning set forth in the preamble.

"Agricultural Liabilities" means all liabilities retained by Pharmacia in the Solutia Spinoff that (i) were transferred to (or assumed by) Monsanto in the Monsanto Spinoff and (ii) are defined as "Monsanto Liabilities," as such term is defined and set forth in the Distribution Agreement (as in effect immediately prior to the Effective Date), including any and all liabilities related to a product consisting of a mix of herbicides 2,4 dichlorophenoxyacetic acid and 2,4,5 trichlorophenoxyacetic acid.

"Anniston Consent Decree" means the Revised Partial Consent Decree, dated August 4, 2003, entered by the U.S. District Court for the Northern District of Alabama in Civil Action No. 1:02-CV-0749-UWC, a copy of which is attached hereto as Exhibit B, and any subsequent modifications to that Decree entered by the Court.

"Anniston Restricted Properties" means all properties situated in Calhoun County, Alabama and owned by Solutia as of the date hereof.

"Anniston Settlement Agreement" means the agreement among Solutia, Monsanto and Pharmacia, dated September 9, 2003, a copy of which is attached hereto as Exhibit C.

"Anniston Side Letter" means the letter from Pfizer, Inc., the parent company of Pharmacia, to Solutia, dated August 20, 2003, a copy of which is attached hereto as Exhibit D.

"Approval Notice" has the meaning set forth in Section 3.04(d)(v).

"Approved ELC Amount" has the meaning set forth in Section 3.04(d)(v).

"Approved Unallocated Amount" has the meaning set forth in Section 4.01(a).

"Arbitration Act" means the United States Arbitration Act, 9 U.S.C. 1-14, as amended.

"Bankruptcy Code" means title 11 of the United States Code as applicable to the Solutia Chapter 11 Case.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York, having jurisdiction over the Solutia Chapter 11 Case and, to the extent of the

withdrawal of any reference under section 157 of title 28 of the United States Code, the United States District Court for the Southern District of New York.

"Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the local rules of the Bankruptcy Court, as applicable to the Solutia Chapter 11 Case.

"Board" means the Board of Directors of Solutia.

"Budget" has the meaning set forth in Section 3.04(b).

"Business Day" means any day other than a Saturday, Sunday or a legal holiday on which the commercial banks are closed in St. Louis, MO.

"CEO" has the meaning set forth in Section 9.03.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

"Charter" has the meaning set forth in Section 3.04(b).

"Chemicals Liabilities" has the meaning set forth in the Distribution Agreement.

"Commercial and Operating Agreements" has the meaning assigned to it in the Plan.

"Confidential Information" of any party (a "Confidential Party") means any and all information and data (whether written or oral and whatever the form or storage medium) (a) that a Confidential Party or its Representatives furnishes to another party or such other party's Representatives pursuant to this Agreement; and/or (b) concerning the business or affairs of such Confidential Party or any of its Affiliates (i) that is nonpublic information, (ii) which is proprietary to such Confidential Party or any of its Affiliates, (iii) the disclosure of which could reasonably be expected to cause the Confidential Party or any of its Affiliates or customers injury or loss of reputation or goodwill, (iv) that gives, or may give, such Confidential Party or its Affiliates an advantage over its competitors or (v) is marked by the Confidential Party prior to its disclosure as "confidential". Because of the sensitive nature of this information, the intent of the parties is that the term "Confidential Information" shall be interpreted as broadly as possible and shall include any and all data, reports, analyses, compilations, studies, projections, forecasts, records, technology, methods of doing business, inventions, know-how, designs, supplier and customer information and all other financial, technical, commercial or other information concerning the business and affairs of such Confidential Party, in each case regardless of whether such information or item is marked as "confidential". Notwithstanding the foregoing, Confidential Information shall not include information which (x) is or becomes generally available to the public other than as a result of a disclosure by any other party or its Representatives in breach of Section 7.04 hereof, (y) was or becomes available to any other party on a non-confidential basis from a source other than such Confidential Party or its Representatives; provided that, to such other party's actual knowledge, such source is not prohibited from disclosing such information to such other party by a contractual, legal or fiduciary obligation to such Confidential Party or its Affiliates, or (z) is independently developed by any other party without violating such other party's obligations under this Agreement.

"Cost Recovery Cases" has the meaning set forth in Section 3.05(a).

"Covered Site" means any Retained Site, Legacy Site or Shared Site.

"Creditors' Committee" has the meaning assigned to it in the Plan.

"Debtors" has the meaning assigned to it in the Plan.

"Deferral Notice" has the meaning set forth in Section 3.04(e).

"Deferred NRD Payment Obligations" has the meaning set forth in Section 3.04(e).

"Deferred Payment Obligations" has the meaning set forth in Section 3.04(e).

"Deposit Account" has the meaning set forth in Section 2.02.

"Dispute Notice" has the meaning set forth in Section 9.03.

"Disputed ELC Amount" has the meaning set forth in Section 3.04(d)(v).

"Disputed Unallocated Amount" has the meaning set forth in Section 4.01(a).

"Distribution Agreement" means that certain Distribution Agreement, dated as of September 1, 1997, between Pharmacia and Solutia, as amended through the date hereof, including by the Amendment dated as of July 1, 2002 by and among Pharmacia, Monsanto and Solutia, a copy of which is annexed hereto as Exhibit S.

"Effective Date" has the meaning assigned to it in the Plan.

"ELC Objection Notice" has the meaning set forth in Section 3.04(d)(v).

"Environmental Account" has the meaning set forth in Section 2.02.

"Environmental Committee" has the meaning set forth in Section 3.04(b).

"Environmental Laws" means all applicable federal, state, local and foreign statutes, regulations and similar requirements of Governmental Authorities having the force and effect of law, all judicial and administrative orders and determinations, and all common law concerning public health or safety, workplace health and safety, or pollution or protection of the environment, including all those pertaining to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation.

"Environmental Liability" means any liability (contingent or otherwise, arising under statute or common law, at law or in equity, and including liability for response costs or natural resource damages, fines or penalties) or any investigatory, corrective or remedial obligation arising under Environmental Law, whether or not discharged by the Solutia Chapter 11 Case,



including all Environmental Liability Costs, any common law liability for Environmental Remediation and any liability for any NRD Claim.

"Environmental Liability Costs" means all out-of-pocket costs and expenses actually incurred (1) to address any Environmental Liability, (2) to perform (a) Environmental Remediation at any Covered Site mandated by a Governmental Authority or court and (b) work deemed commercially reasonable by (i) Solutia with respect to the Retained Sites, (ii) Monsanto with respect to the Legacy Sites and (iii) the Environmental Committee with respect to the Shared Sites, (3) in connection with the retention of, or otherwise paid to, (a) consultants, attorneys, public relations personnel and all other Persons retained to provide products or services in connection with Environmental Liabilities (including all Recovery Costs) or (b) contractors performing Environmental Remediation, (4) for or in connection with land acquisition or easements for Environmental Remediation, (5) for materials and equipment procured for Environmental Remediation and (6) for or in connection with providing financial assurance required under Environmental Law for these sites; provided that "Environmental Liability Costs" shall not include salaries and overhead of (x) Solutia employees providing Environmental Remediation services for Retained Sites and Shared Sites and (y) Monsanto employees providing Environmental Remediation services for Legacy Sites and Shared Sites.

"Environmental Reimbursement Statement" has the meaning set forth in Section 3.04(d).

"Environmental Remediation" means any environmental investigatory, corrective, removal, remedial or response action to the extent such action is required or directed by, or conducted in response to orders, directives, citations, notices or findings lawfully issued by, any Governmental Authority or court or otherwise deemed commercially reasonable by (a) Solutia with respect to the Retained Sites, (b) Monsanto with respect to the Legacy Sites and (c) the Environmental Committee with respect to the Shared Sites.

"Escalation Notice" has the meaning set forth in Section 9.03.

"Financing Agreement" means the Financing Agreement, dated as of January 16, 2004, by and among Solutia, as a debtor and debtor-in-possession, and Solutia Business Enterprises, Inc., as a debtor and debtor-in-possession, a New York corporation, each subsidiary of Solutia listed as a "Guarantor" on the signature pages thereto, each as a debtor and debtor-in-possession, the lenders from time to time party thereto (each a "Lender" and collectively, the "Lenders"), Citicorp USA, Inc. ("CUSA"), as collateral agent for the Lenders, CUSA, as administrative agent for the Lenders, and CUSA, as documentation agent for the Lenders, as amended or modified from time to time.

"Final Order" has the meaning assigned to it in the Plan.

"Funding Co" has the meaning set forth in the preamble.

"Funding Co Accounts" has the meaning set forth in Section 2.02.

"Funding Co Payment" has the meaning set forth in Section 3.04(d).

"Funds" has the meaning set forth in Section 2.02.

"Governmental Authority" means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Indemnitee" has the meaning set forth in Section 5.05.

"Indemnitor" has the meaning set forth in Section 5.05.

"Insurance Recovery" has the meaning set forth in Section 7.06(a).

"Investment Grade" means, with respect to debt, debt rated in one of the four highest debt rating categories of Moody's Investor Services, Inc. and Standard & Poor's Corporation (without regard to gradation).

"Joint Prosecution/Defense Agreement" means the Joint Prosecution/Defense Agreement among Solutia, Pharmacia and Monsanto, dated July 9, 2004.

"Krummrich Restricted Properties" means the properties described in Exhibit K hereto.

"Legacy Offsite" means any property for which Solutia or Pharmacia is or may become subject to Environmental Liability due to the migration onto such property of contamination that originated on a Legacy Site described in clauses (i) or (ii) of Section 3.02.

"Legacy Sites" has the meaning set forth in Section 3.02.

"Legacy Tort Claims" means all legal, equitable or other claims, demands, costs, causes of action and/or other liabilities arising under tort law (including demands for indemnification or contribution relating to or arising out of any such liability, whether arising under contract, tort law or otherwise), whether currently asserted or asserted in the future, whether known or unknown:

(a) which constitute Chemicals Liabilities assumed by Solutia under the Distribution Agreement;

(b) for which Solutia was required to indemnify Monsanto and Pharmacia under the Distribution Agreement; and

(c) which are for property damage, personal injury, products liability or premises liability or other damages arising out of or related to exposure to asbestos, PCB, dioxin, benzene, vinyl chloride, silica, butadiene, pentachlorophenol, styrene tars, other chemical exposure or environmental contamination,

regardless of whether:

- i. any of the Debtors is, was or will be named as a defendant in any action commenced by or on behalf of the holder of such Legacy Tort Claim,
- ii. such holder has filed a proof of claim in the Solutia Chapter 11 Case, or

iii. the alleged exposure occurred before or after the Solutia Spinoff.

“Legacy Tort Claims” also includes legal, equitable or other claims, demands, costs, causes of action and/or other liabilities arising against Solutia under tort law (including demands for indemnification or contribution relating to or arising out of any such liability, whether arising under contract, tort law or otherwise), whether currently asserted or asserted in the future, whether known or unknown, in circumstances where:

(u) the claims in question reflect the description contained in clause (c) of the first sentence of this definition;

(v) the property from which such chemical exposure or environmental contamination arose was previously owned by Pharmacia and transferred to Solutia in connection with the Spinoff;

(w) the claims arise from Solutia’s conduct after the Solutia Spinoff;

(x) such conduct constituted the remediation, or non-remediation, of conditions which existed as of the Spinoff and were subject to Solutia’s assumption of remediation obligations under the Distribution Agreement; and

(y) such conduct by Solutia was in accordance with federal or state environmental law or orders or was a continuation of activities conducted, or inactivity, by Pharmacia at the time of the Spinoff, provided, however, that in the case of non-remediation, such non-remediation must not have been in violation of federal or state environmental laws or orders,

regardless of whether:

i. any of the Debtors is, was or will be named as a defendant in any action commenced by or on behalf of the holder of such Legacy Tort Claim, or

ii. such holder has filed a proof of claim in the Solutia Chapter 11 Case.

“Legacy Tort Claims” shall not include, among other things: NRD Claims; claims for medical or retiree benefits, including retiree medical, disability and life insurance benefits; monitoring obligations with respect to PAB-exposed former employees; workers compensation claims brought solely pursuant to worker compensations statutes and not constituting or arising out of a claim, demand, cost, cause of action and/or other liability that would otherwise be defined as a “Legacy Tort Claim” herein; antitrust claims; commercial, business or contract claims; Environmental Liability Costs; any other remediation obligations covered by the terms of this Agreement; Legacy Claims for “response” as defined under Section 101(25) of CERCLA; claims asserted in connection with any pension or similar obligations of Solutia, including (x) claims asserted in the actions entitled *Walker v. Monsanto Company Pension Plan*, No. 04-cv-436-DRH, *Scharringhausen v. Solutia Inc. Employees’ Pension Plan*, No. 3:06CV00099, and the administrative charge entitled *Larry Probst v. Monsanto Company and Solutia, Inc.*, EEOC Charge Nos. 280 A 00618 through 280 A 00652, and any similar litigation and (y) claims asserted in the action entitled *Miller v. Pharmacia Corporation*, No. 4:04CV981, or any similar

litigation; or (other than as may be provided in the second sentence of this definition) any claims, including claims for exposure to chemicals or other substances, arising from Solutia's conduct after the Spinoff.

"Loss" has the meaning set forth in Section 5.01.

"Master Operating Agreement" means the Master Operating Agreement, dated September 1, 1997, between Monsanto (as party thereto pursuant to the Amendment to the Distribution Agreement, dated July 1, 2002) and Solutia, as amended from time to time.

"Monsanto" has the meaning set forth in the preamble.

"Monsanto Claim" has the meaning assigned to it in the Plan.

"Monsanto Credit Limit" has the meaning set forth in Section 3.04(e).

"Monsanto ELC Review Period" has the meaning set forth in Section 3.04(d)(v).

"Monsanto Indemnified Party" has the meaning set forth in Section 5.01.

"Monsanto Payment" has the meaning set forth in the recitals.

"Monsanto Spinoff" has the meaning set forth in the recitals.

"Monsanto Spinoff Date" has the meaning set forth in the recitals.

"Monsanto Unallocated Review Period" has the meaning set forth in Section 4.01(a).

"New Common Stock" has the meaning assigned to it in the Plan.

"NRD Claims" means all claims under Section 107(a)(4)(c) of CERCLA, 42 U.S.C. § 9607(a)(4)(c), or other provision of law, for damages for injury to, destruction of or loss of natural resources with respect to Covered Sites, including the reasonable cost of assessing such damages, regardless of whether such claims were filed in the Solutia Chapter 11 Case.

"Parties" means Solutia and Monsanto.

"Payable Amount" has the meaning set forth in Section 3.04(d)(v).

"PCB" means polychlorinated biphenyls.

"PENNDOT Case" means the action originally filed against United States Mineral Products Company in 1990 by the Commonwealth of Pennsylvania, seeking damages caused by the presence of asbestos fireproofing in the Transportation and Safety Building in Harrisburg, Pennsylvania, to which Pharmacia was added as a defendant on February 7, 1997.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Petition Date" has the meaning set forth in the recitals.

"Pharmacia" has the meaning set forth in the recitals.

"Pharmacia Indemnified Party" has the meaning set forth in Section 5.01.

"Pharmacia Indemnity Exhibit" means the Indemnification Agreement between Pharmacia and Solutia, dated as of the date hereof, attached hereto as Exhibit N.

"Plan" means the Debtors' Fifth Amended Joint Plan of Reorganization submitted to the Bankruptcy Court on October [•], 2007, attached hereto as Exhibit E.

"Plan Documents" has the meaning assigned to it in the Plan.

"Proceeding" has the meaning set forth in Section 5.05.

"PRP" means a "potentially responsible party" as defined under applicable Environmental Laws.

"Qualified Financial Institution" has the meaning set forth in Section 2.02.

"Recovery Costs" means all out-of-pocket costs incurred by Solutia or Monsanto following the commencement of the Solutia Chapter 11 Case in connection with the pursuit of any Third Party Recoveries, whether or not Solutia or Monsanto is successful in such pursuit.

"Registration Rights Agreement" has the meaning set forth in the recitals.

"Remediation Plan" has the meaning set forth in Section 3.04(b).

"Representative" has the meaning set forth in Section 8.04.

"Retained Offsite" means any property for which Pharmacia is or may become subject to Environmental Liability due to contamination that originated on a Retained Site described in clauses (i) or (ii) of Section 3.01 prior to the Solutia Spinoff, which property is either (i) contiguous to a Retained Site; or (ii) a waste disposal site on property proximate to a Retained Site that was formerly owned or operated by Pharmacia prior to the Solutia Spinoff. If additional property is contaminated as a result of migration of such contamination from the properties identified in clauses (i) or (ii) above, such property, to the extent of such contamination, shall be considered part of the Retained Offsite.

"Retained Sites" has the meaning set forth in Section 3.01.

"Retirees' Committee" has the meaning assigned to it in the Plan.

"Retiree Settlement Agreement" means that certain First Amended and Restated Retiree Settlement Agreement, dated as of July 10, 2007, by and among Solutia, the Retirees' Committee, the Creditors' Committee and Monsanto.

"Retiree Trust" has the meaning set forth in Section 2.02.

"Retiree Trust Agreement" means the trust agreement that is attached hereto as Exhibit P.

"Rights Offering" has the meaning assigned to it in the Plan.

"Sale" means any transaction, including a series of related transactions involving any Party pursuant to which any Person or Persons acquire (i) equity securities of such Party constituting a majority of the voting securities entitled to vote generally in the election of the board of directors of such Party (whether by tender offer, exchange offer, merger, consolidation, or other sale or transfer of such Party's outstanding voting securities) or (ii) all or substantially all of such Party's assets (any Sale described in this subclause (ii), an "Asset Sale").

"Services Agreement" has the meaning set forth in Section 2.01.

"Shared Payment Period" has the meaning set forth in Section 3.04(d).

"Shared Payments" has the meaning set forth in Section 3.04(d).

"Shared Sites" has the meaning set forth in Section 3.04.

"Solutia" has the meaning set forth in the preamble.

"Solutia Cap" has the meaning set forth in Section 3.04(e).

"Solutia Chapter 11 Case" has the meaning set forth in the recitals.

"Solutia Deferred NRD Note" has the meaning set forth in Section 3.04(e).

"Solutia Deferred Payment Note" has the meaning set forth in Section 3.04(e).

"Solutia Indemnified Party" has the meaning set forth in Section 5.02.

"Solutia Legacy Liabilities" means all liabilities of Solutia with respect to (a) retiree medical, retiree life insurance and disability benefits obligations with respect to those retirees, including their surviving spouses, dependent spouses and dependent children, and those employees receiving disability benefits, who worked for Pharmacia or one of its domestic subsidiaries and who retired, or became disabled, prior to the Solutia Spinoff, and whose post-employment benefit or disability liabilities were transferred to Solutia as a result of the Solutia Spinoff, (b) Environmental Liabilities and/or (c) any other liabilities that were assumed by Solutia under the Distribution Agreement.

"Solutia Payment Period" has the meaning set forth in Section 3.04(d).

"Solutia Payment" has the meaning set forth in Section 3.04(d).

"Solutia Specified Environmental Receipts Account" means the specified environmental receipts account established pursuant to the Financing Agreement.

"Solutia Spinoff" has the meaning set forth in the recitals.

"Solutia Spinoff Date" has the meaning set forth in the recitals.

"Solutia Tort Claims" means claims, other than Legacy Tort Claims, arising in tort law from exposure to chemicals or other substances arising from Solutia's conduct after the Solutia Spinoff.

"Third Party Claim" has the meaning set forth in Section 5.05.

"Third Party Recoveries" has the meaning set forth in Section 3.05(b).

"Unallocated Account" has the meaning set forth in Section 2.02.

"Unallocated Approval Notice" has the meaning set forth in Section 4.01(a).

"Unallocated Expenses" has the meaning set forth in Section 4.01(a).

"Unallocated Objection Notice" has the meaning set forth in Section 4.01(a).

"Unallocated Payable Amount" has the meaning set forth in Section 4.01(a).

"Unallocated Reimbursement Statement" has the meaning set forth in Section 4.01(a).

#### Section 1.02 Interpretation.

(a) References. References to any "Appendix," "Article," "Exhibit," "Schedule" or "Section," without more, are to Appendices, Articles, Exhibits, Schedules and Sections to or of this Agreement.

(b) Headings. The section headings contained in this Agreement are for reference only and shall not affect the meaning or interpretation of this Agreement.

(c) Authorship. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any of the provisions of this Agreement.

(d) Word Usage. Except where the context clearly requires to the contrary, (i) instances of gender or entity-specific usage (e.g., "his," "her," "its," "person" or "individual") shall not be interpreted to preclude the application of any provision of this Agreement to any individual or entity, (ii) words in the singular shall include the plural and words in the plural shall include the singular, (iii) the word "or" shall not be applied in its exclusive sense; (iv) "including" shall mean "including, without limitation," and "including, but not limited to" and (v) accounting terms not defined shall have the meaning assigned to them in accordance with United States generally accepted accounting principles.

(e) Laws. Unless otherwise provided herein, references to laws, regulations and other governmental rules means such laws, regulations and rules and any orders, instruments

or official government interpretations made under the relevant laws, regulations or rules as in effect at the time of determination (taking into account any amendments, extensions or supplements thereto effective at such time without regard to whether the amendments, extensions or supplements were enacted or adopted after the effective date of this Agreement) and includes all successor laws, regulations and rules thereto.

(f) Currency. References to "\$" or "dollars" means the lawful currency of the United States.

(g) Jurisdiction. The word "federal" refers to laws, agencies or other attributes of the United States (and not to any State or locality thereof). The meaning of the terms "domestic" and "foreign" shall be determined by reference to the United States.

(h) Dates and Time. References to "days" means calendar days. All dates and times specified in this Agreement are of the essence and shall be strictly enforced.

## **ARTICLE II FUNDING CO**

Section 2.01 Funding Co. Solutia and, to the extent necessary, Monsanto shall take all actions and do all things necessary, proper and advisable to maintain Funding Co as a bankruptcy-remote subsidiary of Solutia. Solutia shall provide certain services to Funding Co pursuant to the Services Agreement, dated as of the date hereof, between Funding Co and Solutia, a copy of which is attached hereto as Exhibit F. Monsanto and Solutia shall not, prior to the date that is two years and one day after the final distribution of funds from the Funding Co Accounts, acquiesce, petition or otherwise invoke, or cause Funding Co to invoke, the process of any Governmental Authority or court for the purpose of commencing or sustaining a case against Funding Co under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Funding Co or any substantial part of its property, or ordering the winding up or liquidation of the affairs of Funding Co.

Section 2.02 Establishment of Accounts. Any cash delivered to Funding Co pursuant to this Agreement, together with all income accrued thereon, are referred to as the "Funds." Funding Co shall establish a deposit account (the "Deposit Account") with a commercial bank having at least \$10 billion in assets (a "Qualified Financial Institution") to hold any Funds not invested pursuant to Section 2.04 and from which disbursements shall be made pursuant to this Agreement. Funding Co shall maintain the following two segregated subaccounts of the Deposit Account: (a) an environmental liabilities account (the "Environmental Account") and (b) an unallocated account (the "Unallocated Account", and together with the Environmental Account, the "Funding Co Accounts"). Funding Co shall keep each Funding Co Account segregated on its books from all other accounts and shall not deposit funds into or withdraw funds from the Deposit Account or allocate Funds with respect to any Funding Co Account, except in accordance with the terms of this Agreement. Whenever this Agreement requires funds to be deposited into or disbursed from either Funding Co Account, Funding Co shall deposit such funds into or disburse such funds from, as applicable, the Deposit Account and concurrently allocate such funds to or from, as applicable, such Funding Co Account. Funding Co shall not



invest, distribute or release the Funds, except in accordance with the terms of this Agreement. Any income that accrues on Funds in any of the Funding Co Accounts shall be allocated to the Funding Co Account containing the Funds on which such income accrued.

**Section 2.03 Deposit of Funds.** On the Effective Date, simultaneously with the effectiveness of this Agreement, Solutia shall deliver cash proceeds from the Rights Offering to Funding Co in a total aggregate amount equal to \$75,000,000, upon the terms and subject to the conditions of the Plan and this Agreement. Funding Co shall allocate (i) \$50,000,000 of such Funds to the Environmental Account and (ii) \$25,000,000 of such Funds to the Unallocated Account. In addition, on the Effective Date and, in conjunction with the effectiveness of this Agreement, Solutia shall deliver to a voluntary employees' beneficiary association trust account established pursuant to the Retiree Settlement Agreement and the Retiree Trust Agreement (the "Retiree Trust"), \$175,000,000 of the cash proceeds of the Rights Offering.

**Section 2.04 Investment of the Funds.** Funding Co shall invest any Funds in short-term, well-diversified, high quality investment instruments, with a primary objective of capital preservation, that are reasonably acceptable to both Monsanto and Solutia, including, but not limited to, one or more of: (a) interest bearing accounts with Qualified Financial Institutions, (b) direct obligations of the United States, (c) obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest, (d) Investment Grade commercial paper, (e) certificates of deposit issued by Qualified Financial Institutions, (f) bankers' acceptances issued by Qualified Financial Institutions, (g) repurchase agreements with Qualified Financial Institutions, (h) floating rate notes rated at least AA or the equivalent, (h) tax exempt municipal bonds and notes rated at least AA or the equivalent, and (i) money market funds.

### ARTICLE III ENVIRONMENTAL REMEDIATION

**Section 3.01 Retained Sites.** Solutia and Monsanto agree that, solely as between themselves and regardless of any discharge, injunction, or other protection of Solutia and/or Monsanto under the Plan or otherwise, Solutia shall be liable for all Environmental Liabilities related to, and shall have the responsibility for the Environmental Remediation projects with respect to, (i) all sites listed on Appendix A attached hereto, (ii) any other site owned and/or operated by Solutia, or to which Solutia (but not Monsanto or Pharmacia) sent waste at any time after the Solutia Spinoff Date, and (iii) any Retained Offsite, unless any site referred to in clause (ii) or (iii) above is specifically listed on Appendix B or Appendix C attached hereto (sites described in clauses (i), (ii) and (iii) above, collectively, the "Retained Sites").

**Section 3.02 Legacy Sites.** Solutia and Monsanto agree that, solely as between themselves and regardless of any discharge, injunction, or other protection of Solutia and/or Monsanto under the Plan or otherwise, Monsanto shall be liable for all Environmental Liabilities related to, and shall have the responsibility for the Environmental Remediation projects with respect to, (i) all sites listed on Appendix B attached hereto, (ii) any other site (a) for which Solutia assumed Environmental Liability under the Distribution Agreement, (b) that Solutia has

never owned, operated or (subject to Section 3.03) to which it never sent waste, and (c) for which there is Environmental Liability due to Pharmacia's or a predecessor's operations (including the offsite disposal of waste) at such sites prior to the Solutia Spinoff Date, and (iii) any Legacy Offsites, unless any site referred to in clauses (ii) or (iii) above is specifically listed on Appendix A or Appendix C attached hereto (sites described in clauses (i), (ii) and (iii) above, collectively, the "Legacy Sites").

Section 3.03 Certain Waste Sites. Solutia and Monsanto agree that, solely as between themselves and regardless of any discharge, injunction, or other protection of Solutia and/or Monsanto under the Plan or otherwise, any site that is not listed in Appendix A, B or C and was never owned or operated by either Pharmacia or Solutia but to which both (a) Solutia and (b) Pharmacia (during the period prior to the Solutia Spinoff Date) sent waste giving rise to CERCLA (or any state law equivalent) liability ("Certain Waste Sites") shall be treated as both a Retained Site and, solely to the extent Solutia assumed liability with respect to such site under the Distribution Agreement, a Legacy Site. The responsibility for Environmental Liabilities at such site will be allocated, as between Solutia and Monsanto, according to the volume and toxicity of waste sent by Solutia and Pharmacia, respectively, to such site or by such other reasonable measure as the Parties may agree upon consistent with customary allocation principles; provided, that Monsanto shall have no liability under this Section 3.03 with respect to Certain Waste Sites to which Pharmacia sent waste if Solutia did not assume liability with respect to such site under the Distribution Agreement. Solely as between the parties hereto, such allocation shall not be affected by any discharge, injunction, or other protection of Solutia and/or Monsanto from Environmental Liability under the Plan or otherwise.

Section 3.04 Shared Sites. Solutia and Monsanto agree that, solely as between themselves and regardless of any discharge, injunction, or other protection of Solutia and/or Monsanto under the Plan, the Distribution Agreement or the Separation Agreement, Environmental Liabilities with respect to all sites listed on Appendix C attached hereto (the "Shared Sites") will be shared by Solutia and Monsanto as set forth in clause (d) below. The Environmental Remediation with respect to the Shared Sites shall be administered as set forth in clauses (a) through (c) below.

(a) Administration. Except as expressly provided below with respect to the authority of the Environmental Committee and the payments required to be made by Monsanto pursuant to clause (d) below, Solutia shall have the responsibility for the day to day implementation of the Environmental Remediation with respect to the Shared Sites consistent with the Budget and Remediation Plan for the Shared Sites approved by the Environmental Committee and the procedures set forth in the Charter or established by the Environmental Committee.

(b) Environmental Committee. As of the Effective Date, Solutia and Monsanto shall have established a committee (the "Environmental Committee") to oversee Solutia's Environmental Remediation with respect to the Shared Sites in accordance with the charter, attached hereto as Exhibit I (the "Charter"), which may be amended by the agreement of the Parties from time to time. The initial Charter shall include the following provisions:

(i) The Environmental Committee shall at all times consist of five (5) members.

(ii) Solutia shall appoint two (2) members of the Environmental Committee and Monsanto shall appoint three (3) members of the Environmental Committee.

(iii) The Environmental Committee shall approve (A) the annual budget for Environmental Remediation with respect to the Shared Sites (the "Budget") and (B) a strategic plan for Environmental Remediation with respect to all Shared Sites (the "Remediation Plan").

(c) Cooperation.

(i) Subject to the Budget and Remediation Plan approved by the Environmental Committee pursuant to clause (b) above, Solutia and Monsanto shall cooperate to perform Environmental Remediation with respect to the Shared Sites in a cost effective and efficient manner that complies with applicable Environmental Laws, including (A) the reasonable use of Solutia property and Monsanto property for management of materials generated by such Environmental Remediation, (B) the application, where legally permitted, of risk-based remediation standards, deed restrictions and other institutional controls and (C) reasonable communication between remediation managers and other relevant personnel of Solutia and Monsanto and the exchange of documents related to such Environmental Remediation; provided, however, that, in case of clauses (A) and (B) above, such measures shall be employed only to the extent that they are technologically feasible, reasonably cost-effective and can be accomplished in a manner that will not have a material adverse impact on Solutia and/or Monsanto as the case may be. Solutia and Monsanto may individually or jointly investigate and consider in good faith obtaining the use of risk transfer products, cost cap policies or other insurance-related solutions to manage and address the Environmental Liabilities related to the Shared Sites on a basis that is mutually beneficial to Solutia and Monsanto.

(d) Sharing Mechanism.

(i) The parties acknowledge that Monsanto has paid Environmental Liabilities with respect to the Shared Sites since the Petition Date and may continue to do so until the Effective Date. For all documented out of pocket Shared Site Environmental Liabilities paid by Monsanto during the Solutia Chapter 11 Case in excess of the Monsanto Payment amount, Monsanto will receive an Allowed Administrative Expense Claim (as defined in the Plan) in the Solutia Chapter 11 Case.

(ii) Funding Co shall make payments (the "Funding Co Payment") to Solutia for all Environmental Liabilities related to the Shared Sites from the

Environmental Account in accordance with clause (v) below until the funds in the Environmental Account (including any interest thereon) are reduced to zero.

(iii) Solutia shall pay the next \$325 million of Environmental Liabilities (the "Solutia Payment") related to the Shared Sites (the period of time during which the \$325 million is being spent, the "Solutia Payment Period"). During the Solutia Payment Period, the Environmental Committee shall be entitled to review the books and records of Solutia at reasonable times and upon prior written notice to ensure the proper allocation of costs between Retained Sites and Shared Sites.

(iv) Commencing upon the expiration of the Solutia Payment Period (the "Shared Payment Period"), Solutia and Monsanto shall each pay 50% of any Environmental Liabilities related to the Shared Sites (the "Shared Payments") in accordance with clause (v) below.

(v) Funding Co and Monsanto Payments. Solely for the purposes of the Funding Co Payment and Monsanto's portion of the Shared Payments, the following procedures shall apply:

(A) Solutia shall have the right, at any time and from time to time (and as often as it desires but in any event not more than once in any given two week period), to deliver to Monsanto and, prior to the Solutia Payment Period, Funding Co (I) a written statement (an "Environmental Reimbursement Statement") setting forth in reasonable detail the amount and nature of unreimbursed Environmental Liability Costs with respect to the Shared Sites which Solutia has paid, (II) a copy of all such invoices and/or other supporting documentation related thereto, signed by Solutia project managers responsible for such Environmental Liability Costs, and (III) a written statement setting forth the portion, if any, of such Environmental Liability Costs that exceeds the amount of the Funds then on deposit in the Environmental Account. As promptly as practicable, but in any event within ten (10) Business Days after Monsanto's receipt thereof (such ten (10)-Business Day period, the "Monsanto ELC Review Period"), Monsanto shall either (x) approve such Environmental Reimbursement Statement in its entirety by delivering to Solutia a written notice thereof (an "Approval Notice") and/or (y) based on its reasonable, good faith judgment, object, in whole or in part, thereto by delivering to Solutia a written notice (an "ELC Objection Notice") setting forth the items and amount in dispute (such amount, the "Disputed ELC Amount") and the reasonable good faith basis for such objection. If Monsanto timely delivers to Solutia an ELC Objection Notice to only a part of an Environmental Reimbursement Statement, such Environmental Reimbursement Statement shall become final and binding on all the parties hereto with respect to any and all items of Environmental Liability Costs not specifically identified in such ELC Objection Notice. If Monsanto shall fail to timely deliver to Solutia an ELC Objection Notice, Monsanto shall be deemed to have approved all Environmental Liability Costs contained in the relevant Environmental

Reimbursement Statement and such Environmental Reimbursement Statement and Monsanto's approval with respect to the Environmental Liability Costs set forth therein shall become final and binding on all parties hereto.

(B) If Monsanto shall timely submit an ELC Objection Notice, the parties shall, during the fifteen (15) day period following Solutia's receipt of such ELC Objection Notice, negotiate in good faith to reach agreement as to the portion, if any, of the Disputed ELC Amount which is properly payable (the "Payable Amount"). If the Parties are unable to resolve Monsanto's objection to the Environmental Reimbursement Statement within such fifteen (15) day period, the Payable Amount shall be determined in accordance with Article IX hereof.

(C) Any and all Environmental Liability Costs set forth in an Environmental Reimbursement Statement in respect of which Monsanto (x) timely delivers an Approval Notice, (y) timely delivers an ELC Objection Notice and which Environmental Liability Costs are not specifically identified in such ELC Objection Notice or (z) fails to timely deliver an ELC Objection Notice shall, in each case, be an "Approved ELC Amount." Prior to the Solutia Payment Period, Funding Co shall make or cause to be made a payment from the Environmental Account to Solutia in the amount of any Approved ELC Amount as promptly as practicable but in any event within one (1) Business Day following the expiration of the Monsanto ELC Review Period. During the Shared Payment Period, Monsanto shall, subject to the sharing mechanism described in paragraphs (i) through (iv) of this Section 3.04(d), pay to Solutia Monsanto's portion (if any) of the amount of such Approved ELC Amount in immediately available funds in accordance with wire transfer instructions either contained or confirmed in the relevant Environmental Reimbursement Statement as promptly as practicable, but in any event prior to the expiration of the Monsanto ELC Review Period. Any payment by Monsanto pursuant to this Section 3.04(d)(v) shall be made with interest accrued thereon from the date that is ten (10) Business Days after Monsanto's receipt of the Environmental Reimbursement Statement until the date of payment at the same rate as interest accrues on funds drawn on Solutia's then-existing secured revolving credit facility. Prior to the Solutia Payment Period, Funding Co shall make or cause to be made a payment from the Environmental Account to Solutia in the amount of any Payable Amount as promptly as practicable, but in no event more than five (5) Business Days after the later of the dates that such amount becomes a Payable Amount. During the Shared Payment Period, Monsanto shall, subject to the sharing mechanism described in paragraphs (i) through (iv) of this Section 3.04(d), pay to Solutia Monsanto's portion (if any) of the amount of any Payable Amount in immediately available funds in accordance with wire transfer instructions either contained or confirmed in the relevant Environmental Reimbursement Statement as promptly as

practicable, but in no event more than five (5) Business Days after such amount becomes a Payable Amount.

(c) Solutia Cap; Monsanto Payment Obligations.

(i) Notwithstanding the provisions of Section 3.04 to the contrary, so long as Monsanto has the power to appoint and remove a majority of the members of the Environmental Committee, if Solutia is required to make any Solutia Payments or Shared Payments in any given fiscal year of Solutia in excess of \$30 million (such \$30 million, the "Solutia Cap" and such excess of \$30 million, an "Excess Payment Obligation"), Solutia shall have the right, in its sole discretion, to pay the entire amount of the Excess Payment Obligation or defer the payment of all or a portion of any such Excess Payment Obligation in accordance with this Section 3.04(e) (all such deferred payment obligations in the aggregate outstanding at any given time, "Deferred Payment Obligations"). As promptly as practicable after making a decision to defer all or any portion of any Excess Payment Obligation pursuant to this Section 3.04(e) and in any event not later than five (5) Business Days prior to the date upon which any Deferred Payment Obligation shall become due and payable, Solutia shall notify Monsanto in writing (a "Deferral Notice") of the amount, nature and payment terms of any such Deferred Payment Obligation. Monsanto shall be obligated to provide funds under the Solutia Deferred Payment Note in an amount sufficient to pay any Deferred Payment Obligations, but only to the extent that the total aggregate amount (including accrued and unpaid interest) outstanding under the Solutia Deferred Payment Note and the Solutia Deferred NRD Note does not exceed \$25 million (the "Monsanto Credit Limit"). Upon request from Solutia, Monsanto may elect to provide funds under the Solutia Deferred Payment Note to pay Deferred Payment Obligations in excess of the Monsanto Credit Limit, but in no event shall Monsanto be obligated to do so. If Monsanto does not elect to do so, then notwithstanding the first sentence of this Section 3.04(e)(i), Solutia shall be obligated to pay any amount of Deferred Payment Obligations in excess of the Monsanto Credit Limit. Payments in any given fiscal year of Solutia made by Solutia under the Solutia Deferred Payment Note shall be taken into account in calculating (A) the Solutia Cap for the fiscal year in which such payments are made, (B) the Solutia Payment and/or (C) with respect to payments of principal only, the Solutia share of the Shared Payment for the fiscal year in which amounts being repaid were borrowed.

(ii) Solutia's obligation to repay the Deferred Payment Obligations pursuant to this Section 3.04(e) shall be evidenced by a promissory note in the form of Exhibit G1 attached hereto (the "Solutia Deferred Payment Note"), which shall contain the following provisions:

(A) Solutia shall repay the principal amount of each Deferred Payment Obligation funded under the Solutia Deferred Payment Note in four (4) equal installments on the last Business Day of each fiscal quarter of Solutia commencing in the fiscal quarter in the following fiscal year corresponding to the fiscal quarter in which such Deferred Payment

Obligation originally arose; provided, that Solutia shall have the right to prepay all or any portion of the Deferred Payment Obligations at any time.

(B) Interest shall accrue on the Solutia Deferred Payment Note at the same rate as interest accrues on funds drawn on Solutia's then-existing secured revolving credit facility, plus 150 basis points.

(C) Interest shall be payable on the last Business Day of each of Solutia's fiscal quarters. Interest payments on borrowed funds shall commence at the end of the first fiscal quarter following the date of borrowing.

(iii) Notwithstanding the provisions of Section 3.04 to the contrary, in the event that Monsanto does not have the power to appoint and remove a majority of the members of the Environmental Committee, if Solutia is required to pay any Excess Payment Obligation in any given fiscal year of Solutia and such payment includes costs associated with NRD Claims, Solutia shall have the right, in its sole discretion, to pay the entire amount of such Excess Payment Obligation in such fiscal year or defer the payment of all or a portion of the amount equal to the lesser of (x) the amount of such NRD Claims and (y) the Excess Payment Obligations for such fiscal year (all such deferred payment obligations in the aggregate outstanding at any given time, "Deferred NRD Payment Obligations"). As promptly as practicable after making a decision to defer payment pursuant to this Section 3.04(e)(iii) and in any event not later than five (5) Business Days prior to the date upon which any Deferred NRD Payment Obligation shall become due and payable, Solutia shall notify Monsanto in a Deferral Notice of the amount and payment terms of any such Deferred NRD Payment Obligation. Monsanto shall be obligated to provide funds under the Solutia Deferred NRD Note to pay the amount of the Deferred NRD Payment Obligation, as and when due from its own funds, but such obligation shall be subject to the Monsanto Credit Limit. Upon request from Solutia, Monsanto may elect to provide funds under the Solutia Deferred NRD Note to pay Deferred NRD Payment Obligations in excess of the Monsanto Credit Limit, but in no event shall Monsanto be obligated to do so. If Monsanto does not elect to do so then, notwithstanding the first sentence of Section 3.04(e)(iii), Solutia shall be obligated to pay any amount of the Deferred NRD Payment Obligations in excess of the Monsanto Credit Limit. Payments in any given fiscal year of Solutia made by Solutia under the Solutia Deferred NRD Note shall be taken into account in calculating (A) the Solutia Cap for the fiscal year in which such payments are made, (B) the Solutia Payment and/or (C) with respect to payments of principal only, the Solutia share of the Shared Payment for the fiscal year in which amounts being repaid were borrowed.

(iv) Solutia's obligation to repay the Deferred NRD Payment Obligations pursuant to this Section 3.04(e) shall be evidenced by a promissory note in the form of Exhibit G2 attached hereto (the "Solutia Deferred NRD Note"), which shall contain the following provisions:

(A) Solutia shall repay the principal amount of each borrowing under the Solutia Deferred NRD Note on December 31 of the year following the year in which such funds are borrowed; provided, that if such repayments, when combined with the Solutia Payment or Solutia's portion of the Shared Payment for the fiscal year in which repayment is due, would exceed the Solutia Cap, Solutia may defer such repayment to December 31 of the following year; provided, further, that in no event shall any borrowing under the Solutia Deferred NRD Note not be repaid within five (5) years. Notwithstanding the foregoing, Solutia shall have the right to prepay all or any portion of the Deferred NRD Payment Obligations at any time.

(B) Interest shall accrue on the Solutia Deferred NRD Note at the same rate as interest accrues on funds drawn on Solutia's then-existing secured revolving credit facility, plus 150 basis points.

(C) Interest payments shall be payable at the end of each of Solutia's fiscal quarters. Interest payments on borrowed funds shall commence at the end of the first fiscal quarter following the date of borrowing.

(v) The payment of the Solutia Deferred Payment Note and the Solutia Deferred NRD Note shall be guaranteed by certain domestic subsidiaries of Solutia, pursuant to the agreements set forth on Exhibit J.

#### Section 3.05 Third Party Recoveries.

(a) On the Effective Date, (i) any and all monies received after the Petition Date and prior to the Effective Date by Solutia or Monsanto from any Person other than Solutia or Monsanto or their respective insurers, including any PRPs, with respect to Shared Sites, (ii) any and all amounts then on deposit in the Solutia Specified Environmental Receipts Account and (iii) any and all amounts on deposit in the escrow account established pursuant to the Joint Prosecution/Defense Agreement shall be split between the Parties such that Monsanto shall receive one third (1/3) of all such monies and Solutia shall receive two thirds (2/3) of all such monies.

(b) Following the Effective Date, any litigation for contribution or cost recovery pursuant to CERCLA or similar state law or allocation proceedings (whether by mediation or arbitration) to establish the respective liability and allocation of costs of third parties ("Cost Recovery Cases") with respect to the Shared Sites shall, subject to Section 3.05(c), be managed by the Environmental Committee in accordance with the Joint Prosecution/Defense Agreement as amended or replaced from time to time by mutual agreement of the Parties. Any and all monies received after the Effective Date by Solutia or Monsanto from any Person other than Monsanto or Solutia or their respective insurers, including any PRPs (as to any Cost Recovery Cases for Covered Sites, collectively the "Third Party Recoveries"), with respect to the Shared Sites shall be split between the Parties such that Monsanto shall receive one third (1/3) of each such Third Party Recovery and Solutia shall receive two thirds (2/3) of each such Third



Party Recovery. A Party receiving a Third Party Recovery with respect to a Shared Site shall (i) notify the other Party in writing of the receipt and amount of such Third Party Recovery and (ii) pay to the other Party such other Party's portion of the Third Party Recovery in immediately available funds, in each case within five (5) Business Days of receipt of such Third Party Recovery.

(c) Notwithstanding Section 3.05(b), Solutia shall, with respect to any Cost Recovery Case with respect to any Shared Site, be entitled, at its own expense, to select counsel to represent it with respect to any issues relating to any liability or potential liability of Solutia which is independent of its liability arising from activities that occurred prior to the Solutia Spinoff.

(d) Third Party Recoveries with respect to the Retained Sites received by Monsanto after the Effective Date shall be transferred promptly to Solutia and Third Party Recoveries with respect to the Retained Sites received by Solutia shall be Solutia's property.

(e) Third Party Recoveries with respect to the Legacy Sites received by Solutia after the Effective Date shall be transferred promptly to Monsanto and Third Party Recoveries with respect to the Legacy Sites received by Monsanto shall be Monsanto's property.

(f) Solutia shall be entitled, at its own expense, to select counsel to represent it with respect to any issues relating to its liability or potential liability, with respect to a Retained Site.

(g) Monsanto shall be entitled, at its own expense, to select counsel to represent it with respect to any issue relating to its or Pharmacia's liability or potential liability, with respect to a Legacy Site.

(h) Solutia and Monsanto will consult and cooperate with one another to obtain Third Party Recoveries, and, in furtherance thereof, shall provide one another with reasonable access to the books and records and personnel in their respective possession or control as are reasonably necessary to pursue and obtain Third Party Recoveries. Notwithstanding the foregoing, neither Solutia nor Monsanto shall be required to take any action pursuant to this Section 3.05(h) if doing so would cause such Party undue hardship, unreasonably interfere with the business or operations of such Party or require such Party to spend more than an immaterial amount of money or incur any liability other than an immaterial liability.

Section 3.06 No Admission of Liability to Other Persons. Nothing in this Agreement shall constitute or be deemed to constitute an admission of liability on the part of Monsanto, Solutia or any of their Affiliates in respect of any Environmental Liability other than as between Monsanto and Solutia as expressly set forth in this Article III.

Section 3.07 Cooperation. In connection with Environmental Remediation at the Retained Sites and Legacy Sites, Solutia shall provide Monsanto with the reasonable use of Solutia property and Monsanto shall provide Solutia with the reasonable use of Monsanto property, for management of material generated by such Environmental Remediation; provided, that such use of property will not have a material adverse impact on Solutia and/or Monsanto, as the case may be.

## ARTICLE IV DISBURSEMENTS

### Section 4.01 Disbursements.

(a) Distributions from the Unallocated Account. Except as provided in Section 3.04(d)(v) with respect to the Environmental Account, Funding Co shall disburse the Funds, or any portion thereof, only in accordance with this Section 4.01. So long as there are Funds remaining in the Unallocated Account, Solutia shall have the right, at any time and from time to time (and as often as it desires but in any event not more than once in any given two week period), to deliver to Funding Co and Monsanto a written statement (an "Unallocated Reimbursement Statement") setting forth any Solutia Legacy Liabilities (including the Solutia Payments and Solutia's portion of the Shared Payments) paid by Solutia but unreimbursed as to which Solutia has decided to seek reimbursement from the Funds on deposit in the Unallocated Account (the "Unallocated Expenses") and the portion, if any, of such Unallocated Expenses that exceeds the amount of the Funds then on deposit in the Unallocated Account. As promptly as practicable, but in any event within ten (10) Business Days of Monsanto's receipt thereof (such ten (10) Business Day period, the "Monsanto Unallocated Review Period"), Monsanto shall either (x) approve such Unallocated Reimbursement Statement in its entirety by delivering to Solutia a written notice thereof and/or (y) based on its reasonable, good faith judgment, object, in whole or in part, thereto by delivering to Solutia a written notice (an "Unallocated Objection Notice") setting forth the items and amount in dispute (such amount, the "Disputed Unallocated Amount") and the reasonable good faith basis for such objection. If Monsanto timely delivers to Solutia an Unallocated Objection Notice to only a part of an Unallocated Reimbursement Statement, such Unallocated Reimbursement Statement shall become final and binding on all the parties hereto with respect to any and all items of Unallocated Expenses not specifically identified in such Unallocated Objection Notice. If Monsanto shall fail to timely deliver to Solutia an Unallocated Objection Notice, Monsanto shall be deemed to have approved all Unallocated Expenses contained in the relevant Unallocated Reimbursement Statement and such Unallocated Reimbursement Statement and Monsanto's approval with respect to the Unallocated Expenses set forth therein shall become final and binding on all parties hereto. If Monsanto shall timely submit an Unallocated Objection Notice, the parties shall, during the fifteen (15) day period following Solutia's receipt of such Unallocated Objection Notice, negotiate in good faith to reach agreement as to the portion, if any, of the Disputed Unallocated Amount which is properly payable (the "Unallocated Payable Amount"). If the Parties are unable to resolve Monsanto's objection to the Unallocated Reimbursement Statement within such fifteen (15) day period, the Unallocated Payable Amount shall be determined in accordance with Article IX hereof.

(b) Payment Procedures. Any and all Unallocated Expenses set forth in an Unallocated Reimbursement Statement in respect of which Monsanto (x) timely delivers an Unallocated Approval Notice (y) timely delivers an Unallocated Objection Notice and which Unallocated Expenses are not specifically identified in such Unallocated Objection Notice or (z) fails to timely deliver an Unallocated Objection Notice shall, in each case, be an "Approved Unallocated Amount." Any and all Approved Unallocated Amounts and Unallocated Payment Amounts shall be paid as set forth in this Section 4.01(b). Funding Co shall make or cause to be made payment from the Unallocated Account to Solutia in the amount of any Approved

Unallocated Amount, as promptly as practicable but in any event within one (1) Business Day following the expiration of the Monsanto ELC Review Period, in accordance with wire transfer and account instructions either contained or confirmed in the relevant Unallocated Reimbursement Statement. Funding Co shall make or cause to be made payment from the Unallocated Account to Solutia in the amount of any Unallocated Payment Amount as soon as practicable, but in any event within five (5) Business Days after the date upon which such amount becomes an Unallocated Payment Amount, in accordance with wire transfer and account instructions either contained or confirmed in the relevant Unallocated Reimbursement Statement.

## ARTICLE V INDEMNIFICATION

Section 5.01 Indemnification Obligations of Solutia. After the Effective Date, Solutia shall indemnify Monsanto and its Affiliates, directors, officers, employees, employee benefit plans, successors and assigns (collectively, "Monsanto Indemnified Parties") and shall indemnify Pharmacia and its Affiliates, directors, officers, employees, successors and assigns (collectively, "Pharmacia Indemnified Parties") pursuant to the Pharmacia Indemnity Exhibit and save and hold each of them harmless against, and pay on behalf of or reimburse Monsanto Indemnified Parties and Pharmacia Indemnified Parties as and when incurred for any loss, liability, action, cause of action, cost, damage or expense, whether or not arising out of third party claims (including interest, penalties, reasonable attorneys', consultants' and experts' fees and expenses) (collectively, "Losses", and each a "Loss"), which any Monsanto Indemnified Party or Pharmacia Indemnified Party suffers, sustains or becomes subject to, as a result of or arising out of:

- (a) any Environmental Liability in connection with the Retained Sites;
- (b) any Environmental Liability in connection with the Shared Sites for which Solutia is liable pursuant to Section 3.04 above;
- (c) Solutia Tort Claims;
- (d) failure of Solutia to pay any amounts required to be paid by Solutia (i) pursuant to the Anniston Settlement Agreement as specified in the Anniston Side Letter or (ii) to the education trust fund pursuant to Section VI of the Anniston Consent Decree, or failure of Solutia to honor any other obligation of Solutia under the Anniston Settlement Agreement;
- (e) the PENNDOT Case; provided, that in no event shall Solutia be required to indemnify Monsanto Indemnified Parties or Pharmacia Indemnified Parties in respect of any Losses suffered by Monsanto Indemnified Parties or Pharmacia Indemnified Parties described in this clause (e) to the extent the aggregate amount of all such Losses exceeds \$20 million; and
- (f) the Chemicals Liabilities; provided, that in no event shall Solutia be required to indemnify Monsanto Indemnified Parties or Pharmacia Indemnified Parties in respect of any Losses suffered by Monsanto Indemnified Parties or Pharmacia Indemnified Parties described in this clause (f) to the extent that (i) Monsanto agreed to indemnify Solutia Indemnified Parties for such Losses pursuant to Section 5.02 or (ii) such Losses relate to "claims" (as defined in section 101(5) of the Bankruptcy Code) that are not satisfied in full under

the Plan arising in connection with or related to Pharmacia's or Solutia's non-qualified plans or arrangements at issue in *Miller v. Pharmacia Corporation*, Case No. 4:04CV981.

If and to the extent any provision of this Section 5.01 is unenforceable for any reason, Solutia hereby agrees to make the maximum contribution to the payment and satisfaction of the Loss for which indemnification is provided for in this Section 5.01 that is permissible under applicable laws.

Section 5.02 Indemnification Obligations of Monsanto. After the Effective Date, Monsanto shall indemnify Solutia and its Affiliates, directors, officers, employees, employee benefit plans, successors and assigns (collectively, "Solutia Indemnified Parties") and save and hold each of them harmless against, and pay on behalf of or reimburse Solutia Indemnified Parties as and when incurred for any Losses which any Solutia Indemnified Party suffers, sustains or becomes subject to, as a result of or arising out of:

- (a) any Environmental Liability in connection with the Legacy Sites;
- (b) any Environmental Liability in connection with the Shared Sites for which Monsanto is liable pursuant to Section 3.04 above;
- (c) any Legacy Tort Claims; and
- (d) the Agricultural Liabilities.

If and to the extent any provision of this Section 5.02 is unenforceable for any reason, Monsanto hereby agrees to make the maximum contribution to the payment and satisfaction of the Loss for which indemnification is provided for in this Section 5.02 that is permissible under applicable laws.

Section 5.03 Manner of Payment. Any indemnification owing pursuant to this Article V shall be effected by wire transfer of immediately available funds from the Indemnitor to an account designated in writing by the Indemnitee within fifteen (15) days after the final determination of the amount thereof pursuant to this Article V. The amount of any Losses for which indemnification is provided under this Article V shall be computed net of any third-party insurance proceeds and recoveries in respect of third party indemnification obligations actually received by the Indemnitee in connection with such Losses. The Indemnitee shall use its commercially reasonable efforts to obtain recovery in respect of any Losses from any insurer or other third party indemnity which is available in respect of such Losses. If an Indemnitee receives such insurance proceeds or indemnification recoveries in connection with Losses for which it has received indemnification, such party shall refund to the Indemnitor the amount of such insurance proceeds or recovery when received, up to the amount of indemnification received.

Section 5.04 Indemnification Claims. Any indemnification claim which is not a result of a third party claim shall be asserted by written notice given by the Indemnitee to the Indemnitor. The Indemnitor shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If the Indemnitor does not respond within such 30-day period, it shall be deemed to have rejected such claim in whole. If the Indemnitor does not

respond within such 30-day period or rejects such claim in whole or in part, the Indemnitee shall be free to pursue such remedies as may be available to such party under Article IX.

#### Section 5.05 Third Party Claims

(a) If there occurs an event which a party asserts is an indemnifiable event pursuant to this Article V, the party or parties seeking indemnification (the "Indemnitee") shall notify the other party or parties obligated to provide indemnification (the "Indemnitor") promptly in writing specifying the facts constituting the basis for such claim and the amount, to the extent known, of the claim asserted. If such event involves (i) any third party claim or (ii) the commencement of any suit, action, proceeding, investigation or other claim (a "Proceeding") by a third Person (such third party claim and Proceeding hereinafter referred to collectively as a "Third Party Claim"), the Indemnitee will give such Indemnitor prompt written notice of such Third Party Claim or the commencement of such Proceeding; provided, that the failure to provide prompt notice as provided herein (whether with respect to a Third Party Claim or otherwise) will relieve the Indemnitor of its obligations hereunder only to the extent that such failure prejudices the Indemnitor hereunder. In case any such Third Party Claim shall be brought against any Indemnitee, it shall notify the Indemnitor of the commencement thereof promptly in writing specifying the facts constituting the basis for such claim and the amount, to the extent known, of the claim asserted.

(b) The Indemnitor shall be entitled to participate in the defense of any Third Party Claim and to assume the defense thereof, with counsel selected by the Indemnitor; provided, that the Indemnitor notifies the Indemnitee in writing of its election to assume such defense within twenty (20) Business Days of receipt of notice from the Indemnitee of such Third Party Claim. After notice from the Indemnitor to the Indemnitee of such election so to assume the defense thereof, the Indemnitor shall not, except as provided in the next sentence, be liable to the Indemnitee for any legal expenses of other counsel or any other expenses subsequently incurred by such party or parties in connection with the defense thereof. Notwithstanding the Indemnitor's election to so assume the defense of any such Third Party Claim, the Indemnitee shall have the right to employ separate counsel (including local counsel) and participate in (but not control) such defense; provided, that the Indemnitor shall bear the reasonable fees and expenses of such separate counsel only if (x) the defendants in any such Proceeding include both the Indemnitee and the Indemnitor and the Indemnitee has legal defenses available to it which are different from or additional to those available to the Indemnitor; provided further, that, in each case, with respect to each Indemnitee in such circumstance, the Indemnitor shall not be required to bear the fees and expenses of more than one firm of attorneys in addition to one firm of local counsel in each jurisdiction where the primary counsel is not admitted to practice and where local counsel is necessary, or (y) counsel for the Indemnitor shall authorize in writing the Indemnitee to employ separate counsel at the expense of the Indemnitor.

(c) The Indemnitor and the Indemnitee agree to cooperate fully with each other and their respective counsel in connection with the defense, negotiation of settlement or settlement of any such Third Party Claim, including providing access to any relevant books and records, properties, employees, representatives and advisors (regardless of whether the Indemnitor has assumed the defense thereof). If the Indemnitor assumes the defense of a Third Party Claim, no settlement or compromise thereof may be effected (x) by the Indemnitor without

the written consent of the Indemnitee (which consent shall not be unreasonably withheld or delayed) unless (1) there is no finding or admission of any violation of law or any violation of the rights of any Person by any Indemnitee and no adverse effect on any other third party claims that may be made against any Indemnitee and (2) it involves solely the payment of monetary damages and all relief provided is paid or satisfied in full by the Indemnitor or (y) by the Indemnitee without the consent of the Indemnitor, except to the extent it involves only equitable or other non-monetary relief not binding on any party other than the Indemnitee and ten (10) Business Days prior written notice is given to the Indemnitor. If the Indemnitor elects not to assume the defense of a Third Party Claim, the Indemnitee may assume the defense of any such Third Party Claim with counsel selected by the Indemnitee, and the Indemnitor shall bear reasonable fees and expenses of such counsel. In no event shall an Indemnitor be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed).

Section 5.06 Subrogation. In the event of payment by an Indemnitor to an Indemnitee in connection with any Third Party Claim, the Indemnitor shall be subrogated to and shall stand in the place of the Indemnitee as to any events or circumstances in respect of which the Indemnitee may have any right or claim relating to such claim against any claimant or plaintiff asserting such claim. The Indemnitee shall cooperate with the Indemnitor in a reasonable manner, and at the cost and expense of the Indemnitor, in prosecuting any subrogated right or claim, including permitting the Indemnitor to bring suit against such third party in the name of the Indemnitee.

Section 5.07 Subsidiary Guarantees. The indemnification obligations of Solutia pursuant to this Article V shall be guaranteed by certain domestic subsidiaries of Solutia pursuant to the agreement set forth on Exhibit J; provided, that, notwithstanding anything to the contrary in this Section 5.07, such guarantee shall in no event limit in any way whatsoever Solutia's ability to (a) obtain any financing or refinancing (and such guarantee shall be subordinated on customary terms to, but not terminated by, any guarantee required in connection with any financing or refinancing) or (b) acquire or sell any assets or businesses of Solutia (including the stock of any direct or indirect Subsidiary of Solutia), in each case in bona fide arm's length third party transactions. Upon any sale by Solutia of the stock of a direct or indirect subsidiary that has executed such a guarantee in a bona fide arm's length third party transaction, the guarantee provided by such subsidiary pursuant to this Section 5.07 shall automatically terminate and be of no further force or effect.

## ARTICLE VI CERTAIN TAX MATTERS

Section 6.01 Net Operating Loss Carryforwards. Prior to transferring any common stock of Solutia received by Monsanto on the Effective Date in connection with the consummation of the Plan, Monsanto shall consider the potential impact, if any, of such transfer on the net operating loss carryforwards of Solutia. Monsanto shall take commercially reasonable steps, consistent with its business judgment, to structure any such transfer in a manner that is designed to mitigate or eliminate any such potential tax impact. Solutia shall not apply the provisions of Section 382(l)(5) of the Internal Revenue Code of 1986, as amended ("Code"), to

the ownership change resulting from the Plan in accordance with Section 382(l)(5)(H) of the Code and Treasury Regulation Section 1.382-9(i) without the prior written consent of Monsanto.

**Section 6.02 Treatment of Funding Co.** Each of the parties hereto acknowledges that on the date hereof for federal (and, where applicable, state and local) income tax purposes, Funding Co is a "disregarded entity," as described in Treasury Regulation section 301.7701-3, wholly-owned by Solutia. Neither Solutia nor Monsanto shall take any action or any position on any tax return, financial statement, regulatory filing or other statement inconsistent with the treatment of Funding Co as a disregarded entity for federal (and, where applicable, state and local) income tax purposes.

**Section 6.03 Treatment of Earnings of Funding Co.** Solutia and Monsanto agree that Solutia will report all interest, dividend and other taxable income of any type of Funding Co as taxable income of Solutia for federal (and, where applicable, state and local) income tax purposes.

**Section 6.04 Distributions by Funding Co.** Solutia and Monsanto agree that for federal (and, where applicable, state and local) income tax purposes distributions by Funding Co (whether pursuant to Section 4.01 or otherwise):

- (a) if made to Solutia, shall be disregarded, and
- (b) if made to any Person other than Solutia, shall be treated as if made by Solutia.

**Section 6.05 Contribution to the Retiree Trust.** Solutia and Monsanto agree that for federal (and, where applicable, state and local) income tax purposes, the contribution to the Retiree Trust shall be deducted by Solutia.

**Section 6.06 Treatment of Environmental Remediation.** Solutia and Monsanto agree that for federal (and, where applicable, state and local) income tax purposes all amounts paid for Environmental Liabilities and Environmental Liability Costs to be paid following the Effective Date, as provided in Article III, shall (subject to the applicability of Section 6.04 with respect to amounts paid by Funding Co) be deducted (or capitalized, as appropriate) by Solutia and that any amounts paid by Monsanto or as provided in Article III shall be treated as a capital contribution by Monsanto to Solutia on account of the shares of Solutia received by Monsanto on account of the Monsanto Claim; provided, that any payments of Deferred Payment Obligations and Deferred NRD Payment Obligations by Monsanto shall be treated as a loan by Monsanto to Solutia in an amount equal to such payment and a payment by Solutia of the underlying Environmental Liability or Environmental Liability Cost.

**Section 6.07 Effect of the Agreement.** For the avoidance of doubt, this Agreement shall have no effect on the tax treatment or characterization of (i) any payments made, or to be made, pursuant to the Anniston Settlement Agreement or the Anniston Side Letter or (ii) any payments made in respect of Environmental Liabilities and/or Environmental Liability Costs prior to the Effective Date.

Section 6.08 Cooperation. Subject to Section 6.02 through Section 6.07, Solutia and Monsanto agree to cooperate with each other in the preparation of tax returns and similar filings, the defense of audits and similar inquiries and the provision of requested tax related information. Such cooperation shall include the provision of copies of records (at the expense of the Party requesting such records) and making personnel of Solutia or Monsanto, as applicable, available to the other Party. Solutia and Monsanto agree to retain the appropriate records which may affect the determination of the liability for taxes of either Solutia or Monsanto (or any of their respective Affiliates) until such time as there has been a "determination" (as such term is defined in section 1313 of the Internal Revenue Code but applied to state, local, foreign and other taxes as well) with respect to such liability.

## ARTICLE VII COVENANTS

Section 7.01 Further Assurances. Subject to the terms of this Agreement, each party hereto shall use its commercially reasonable efforts to take all actions and do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

### Section 7.02 Business Combinations; Transfers of Covered Sites.

(a) Notwithstanding anything herein to the contrary, in the event of a Sale of a Party, such Party shall assign all of its rights, interests, duties, obligations and/or liabilities under this Agreement to the acquirer of or successor to such Party in such Sale and shall cause such acquirer or successor to accept the assignment of the rights and interests, and to assume the duties, obligations and liabilities, under this Agreement.

(b) Notwithstanding anything herein to the contrary and subject to the proviso at the end of this sentence, (i) Solutia shall have the right to sell, transfer or otherwise dispose of all or any portion of any property Solutia owns (other than the Anniston Restricted Properties or the Krummrich Restricted Properties), in each case without the consent of Monsanto and without assigning its rights and/or obligations with respect to such site under this Agreement to the buyer of such site, (ii) any such sale, transfer or other disposition shall not terminate and shall have no effect on the rights and obligations of Solutia, Monsanto and/or Funding Co under this Agreement with respect to such site and (iii) any such site that is a Retained Site shall remain a Retained Site and any such site that is a Shared Site shall remain Shared Site, in each case, regardless of such sale, transfer or other disposition; provided that Solutia shall obtain the prior written consent (which consent shall not be unreasonably withheld or delayed) of Monsanto for any sale, transfer or other disposition (excluding the execution of any operating lease) of either the Anniston Restricted Properties or the Krummrich Restricted Properties or any part or portion thereof.

### Section 7.03 Cooperation and Access.

(a) Subject to Section 7.04, each of Monsanto and Solutia will permit representatives (including legal counsel, accountants and financing sources) of Solutia and Monsanto, respectively, to have reasonable access and duplication rights during normal business



hours to records and documents (i) reasonably related to the Solutia Legacy Liabilities and Covered Sites or (ii) reasonably requested for any audit, accounting, intellectual property protection, litigation, disclosure, reporting or tax purposes. The Parties also agree to provide each other with timely and reasonable access during normal business hours upon prior written notice to each others personnel, counsel and consultants with knowledge regarding Covered Sites or Solutia Legacy Liabilities in responding to any claims or inquiries by third parties or any Governmental Authority or court regarding same. Furthermore, each Party shall use reasonable efforts to provide assistance to the other Party with respect to any litigation and shall make available to the other Party, upon written request and reasonable notice and to the extent practicable taking into consideration business demands, its officers, directors, agents and employees for the purpose of consultation and/or as a witness, to the extent that the requesting Party believes any such Person may reasonably be useful or required in connection with such litigation; provided, however, the provisions of this sentence shall not apply to litigation between the Parties.

(b) A Party providing records, documents or services of its directors, officers, agents or employees to the other Party hereunder shall be entitled to receive from such other Party, upon presentation of invoices therefor, reimbursement of any out-of-pocket expenses reasonably incurred in providing such records, documents or services.

(c) With regard to Legacy Sites, Solutia shall transfer to Monsanto all documents related to such sites and shall include any database management technology, indexes or other materials associated with such documents whether in Solutia's possession or the possession of Solutia's outside consultants and/or counsel. With regard to Retained Sites, Monsanto shall transfer to Solutia all documents related to such sites and shall include any database management technology, indexes or other materials associated with such documents whether in Monsanto's possession or the possession of Monsanto's outside consultants and/or counsel. On the date hereof Solutia and Monsanto shall enter into the Transition Services Agreement that will provide for the cooperation of Monsanto and Solutia in the orderly transfer described in the two preceding sentences and may mutually agree to any other arrangement regarding access and cooperation with respect to the Covered Sites.

#### Section 7.04 Confidentiality.

(a) From and after the Effective Date, each party hereto and the members of the Environmental Committee shall hold, and shall cause such party's employees, Affiliates, directors, officers, agents, attorneys, accountants, financial and other advisors (collectively, each such party's "Representatives") to hold in strict confidence any Confidential Information of any other party and, in each case, shall not disclose such Confidential Information to any other Person; provided, however, that such Confidential Information may be disclosed (i) to such party's Representatives who need to know such information for the purpose of performing such party's obligations under this Agreement, (ii) pursuant to subpoena or court process subject to the provisions set forth in subsection (b) below; and (iii) to the extent such party's attorneys advise such party that disclosure is required by law or legal process (including applicable securities laws and regulations and exchange rules and regulations), in each case subject to the provisions set forth in subsection (b) below.

(b) In the event that any party or such party's Representatives receive a request (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) or reasonably believes based on the advice of such party's attorneys that such party is legally required to disclose all or any part of the Confidential Information to a third party (such party, a "Disclosing Party"), the Disclosing Party agrees to (i) immediately notify the Confidential Party of the existence, terms and circumstances surrounding such request and provide the Confidential Party with a copy thereof, (ii) consult with the Confidential Party on the advisability of taking legally available steps to resist or narrow such request and (iii) assist the Confidential Party in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or the Confidential Party, in its sole discretion, waives compliance with the provisions hereof, the Disclosing Party and/or the Disclosing Party's Representatives, as the case may be, may, at the latest time practicable, disclose to any tribunal or requesting party only that portion of the Confidential Information which the Disclosing Party is advised by counsel is legally required by law, rule, regulation or binding order to be disclosed, and shall exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such Confidential Information. At least two Business Days prior to making such disclosure, the Disclosing Party shall first disclose such information to the Confidential Party in the form in which it is proposed to be disclosed.

Section 7.05 Power of Attorney. Effective as of the date hereof, Pharmacia has provided Solutia and Monsanto new powers of attorney in the form of Exhibit M attached hereto to replace and supercede any power of attorney provided under the Distribution Agreement.

Section 7.06 Insurance.

(a) Any and all amounts paid by any insurer, including KWELM and/or Equitas (net of any commission payable to The Claro Group (formerly LECG)), to either Monsanto or Solutia (an "Insurance Recovery"), shall be paid and payable (i) to Solutia if and to the extent that such Insurance Recovery is paid or payable in respect of Losses incurred by Solutia in defending or settling Chemicals Liabilities prior to the Petition Date (and Monsanto shall promptly pay over to Solutia any such Insurance Recovery received by Monsanto) and (ii) to Monsanto in all other cases (and Solutia shall promptly pay over to Monsanto any such Insurance Recovery received by Solutia). In addition, Monsanto shall receive and be entitled to all Insurance Recoveries related to Legacy Tort Claims and Solutia shall receive and be entitled to all Insurance Recoveries related to Solutia Tort Claims. Notwithstanding anything to the contrary in this Section 7.06(a), Monsanto shall pay to Solutia any and all Insurance Recoveries to the extent such amounts relate to Solutia's out-of-pocket expenses or liabilities retained by Solutia pursuant to the Plan, the Plan Documents and this Agreement. Monsanto and Solutia shall cooperate with one another and take commercially reasonable efforts to ensure that Solutia shall have the right to have direct access to and claim reimbursement directly against any insurance policy that provides coverage for any Loss incurred by Solutia in defending or settling Chemicals Liabilities prior to the Petition Date, any Solutia's out-of-pocket expense or any liability retained by Solutia pursuant to the Plan, the Plan Documents and this Agreement, but not waive or terminate any such coverage.

Section 7.07 Funding Co As Party Hereto. On the Effective Date Funding Co shall execute this Agreement and shall become a party hereto for all purposes.

## **ARTICLE VIII REPRESENTATIONS AND WARRANTIES**

### **Section 8.01 Representations and Warranties of Monsanto.**

(a) Monsanto is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation. Monsanto possesses all requisite power and authority necessary to carry out the transactions contemplated by this Agreement.

(b) The execution, delivery and performance of this Agreement have been duly authorized by Monsanto. Subject to Section 10.01 hereof, this Agreement, when executed and delivered by Monsanto in accordance with the terms hereof, shall constitute a valid and binding obligation of Monsanto, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors rights generally or by general principles of equity.

(c) The execution, delivery and performance by Monsanto of this Agreement, and the fulfillment of and compliance with the respective terms hereof by Monsanto, do not and shall not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under (whether with or without the passage of time, the giving of notice or both), (iii) give any third party the right to modify, terminate or accelerate any obligation under, (iv) result in a violation of, or (v) require any authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any Governmental Authority or court pursuant to, (A) the organizational documents of Monsanto, (B) any law to which Monsanto is subject, or (C) any material agreement, instrument, order, judgment or decree to which Monsanto is subject.

(d) Other than presence of dioxin, including all congeners of dioxin and furans, and except as provided in Schedule 8.01(d), Monsanto has no knowledge of any fact or circumstance at the Kanawha River site with respect to which Environmental Remediation may be necessary.

### **Section 8.02 Representations and Warranties of Solutia.**

(a) Solutia is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation. Subject to Bankruptcy Court approval of the terms hereof, Solutia possesses all requisite power and authority necessary to carry out the transactions contemplated by this Agreement.

(b) The execution, delivery and performance of this Agreement have been duly authorized by Solutia. Subject to Section 10.01 hereof, this Agreement, when executed and delivered by Solutia in accordance with the terms hereof, shall constitute a valid and binding obligation of Solutia, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors rights generally or by general principles of equity.

(c) The execution, delivery and performance by Solutia of this Agreement, and the fulfillment of and compliance with the respective terms hereof by Solutia, do not and

shall not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under (whether with or without the passage of time, the giving of notice or both), (iii) give any third party the right to modify, terminate or accelerate any obligation under, (iv) result in a violation of, or (v) subject to approval of the terms hereof by the Bankruptcy Court, require any authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any Governmental Authority or court pursuant to, (A) the organizational documents of Solutia, (B) any law to which Solutia is subject, or (C) any material agreement, instrument, order, judgment or decree to which Solutia is subject.

**Section 8.03 Representations and Warranties of Funding Co.**

(a) Funding Co is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation. Funding Co possesses all requisite power and authority necessary to carry out the transactions contemplated by this Agreement.

(b) The execution, delivery and performance of this Agreement have been duly authorized by Funding Co. This Agreement, when executed and delivered by Funding Co in accordance with the terms hereof, shall constitute a valid and binding obligation of Funding Co, enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors rights generally or by general principles of equity.

(c) The execution, delivery and performance by Funding Co of this Agreement, and the fulfillment of and compliance with the respective terms hereof by Funding Co, do not and shall not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under (whether with or without the passage of time, the giving of notice or both), (iii) give any third party the right to modify, terminate or accelerate any obligation under, (iv) result in a violation of, or (v) require any authorization, consent, approval, exemption or other action by or notice or declaration to, or filing with, any Governmental Authority or court pursuant to, (A) the organizational documents of Funding Co, (B) any law to which Funding Co is subject, or (C) any material agreement, instrument, order, judgment or decree to which Funding Co is subject.

**Section 8.04 No Additional Representations or Warranties.** Except as expressly provided in this Article VIII, each party acknowledges and agrees that no party has made any representations or warranties in connection with the transactions contemplated hereby or by the Plan.

**ARTICLE IX  
DISPUTE RESOLUTION**

**Section 9.01 Agreement to Arbitrate.** Except as otherwise specifically provided in Article V and in Section 9.02 below, the procedures for discussion, negotiation and arbitration set forth in this Article IX shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement, or the transactions or the commercial or economic relationship contemplated hereby (including all actions in furtherance of the transactions contemplated hereby on or prior to the date hereof). Each party agrees that this Article IX shall provide the

sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any action or proceeding in or before any Governmental Authority or court, except as expressly provided in Section 9.02 and except to the extent provided under the Arbitration Act in the case of judicial review of arbitration results or awards.

Section 9.02 Bankruptcy Court Jurisdiction. Notwithstanding anything to the contrary contained in this Agreement, for so long as the Solutia Chapter 11 Case remains open, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to disputes arising in connection with the interpretation, implementation or enforcement of this Agreement as provided for in the Plan.

Section 9.03 Procedures.

(a) Any party hereto alleging that there exists a dispute or disagreement regarding the matters covered hereby shall notify in writing the other parties hereto of such alleged dispute or disagreement (the "Dispute Notice"). The parties shall attempt to resolve such alleged dispute or disagreement through good faith negotiations among the members of management of each party designated by each party promptly following the sending or the receipt, as applicable, of a Dispute Notice. If the parties hereto shall fail to resolve such alleged dispute or disagreement within sixty (60) days from the date of the Dispute Notice, then any party involved in such a dispute or disagreement shall have the right to deliver to the other parties involved in such dispute or disagreement a notice (an "Escalation Notice") requiring a meeting (which may be in person or telephonic) of the Chief Executive Officer (each, a "CEO") of each such party, who shall meet (either in person or telephonically) within twenty (20) days of the delivery of the Escalation Notice to such other parties to seek to resolve such dispute or disagreement. If such dispute or disagreement has not been resolved within twenty (20) days of the date of such meeting between the CEOs, then any party involved in such dispute or disagreement shall have the right to commence an arbitration in accordance with the provisions of this Section 9.03.

(b) The arbitration shall be held in St. Louis, MO or such other place as the parties to the arbitration proceeding shall otherwise agree in writing.

(c) The arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect on the date of the commencement of the arbitration. Each Party shall nominate one arbitrator and the two arbitrators so appointed shall attempt to agree on the appointment of a third arbitrator. If they are unable to so agree within thirty (30) days after the second arbitrator is appointed, the third arbitrator shall be appointed by AAA.

(d) The decision of the panel of arbitrators shall be final, binding and incontestable and may be used as a basis for judgment thereon in any jurisdiction. Such decision shall include a determination as to which of the parties shall bear the costs of the arbitration proceeding.

(e) The parties hereby expressly agree to waive the right to appeal from the decision of the arbitrators. Accordingly, there shall be no appeal to any court or other authority (government or private) from the decision of the arbitrators, and the parties shall not dispute nor question the validity of such award before any regulatory or other authority in any jurisdiction where enforcement action is taken by the party or parties in whose favor the award was rendered.

(f) Notwithstanding the foregoing, any party may at any time without regard to any notice periods required by the provisions hereof (whether before, during or after arbitration), and as often as is necessary or appropriate, seek provisional or interim relief (including, without limitation, to the extent available under applicable law, a temporary restraining order, preliminary injunction and/or pre-judgment attachment) in a court of law.

(g) The commencement and pendency of an arbitration under this Section 9.03 shall not relieve any of the parties of their respective obligations under this Agreement.

(h) The provisions of this Article IX shall survive the termination and/or expiration of this Agreement.

#### **ARTICLE X MISCELLANEOUS**

Section 10.01 Effectiveness. This Agreement shall not be effective or binding upon the parties hereto until (a) the Exhibits hereto are in form and substance acceptable to Solutia and Monsanto, (b) the Agreement and its terms have been approved by Final Order of the Bankruptcy Court, (c) the Retiree Settlement and its terms have been approved by Final Order of the Bankruptcy Court, (d) the Plan has been confirmed by Final Order of the Bankruptcy Court, (e) the conditions precedent to the Effective Date set forth in the Plan shall have been satisfied or duly waived pursuant to the terms of the Plan and (f) Solutia's counsel has issued an opinion, in form and substance reasonably acceptable to Monsanto, regarding Funding Co.

Section 10.02 Expenses. Except as specifically provided in this Agreement, all costs and expenses of any party hereto whether incurred prior to or after the Effective Date in connection with the negotiation, preparation, execution and delivery of this Agreement and with the consummation of the transactions contemplated by this Agreement, including legal fees, shall be paid by such party.

Section 10.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (other than the laws regarding choice of laws and conflicts of laws) as to all matters, including matters of validity, construction, effect performance and remedies.

Section 10.04 Notices. All notices, requests, claims demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person or by facsimile (provided confirmation is delivered to the recipient the next day in the case of facsimile), by nationally recognized overnight courier, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Solutia: General Counsel  
Solutia, Inc.  
575 Maryville Centre  
St. Louis, MO 63141  
Telephone: (314) 674-1000  
Facsimile: (314) 674-8703

with a copy (which shall not constitute notice) to:

Jonathan S. Henes  
Thomas W. Christopher  
Kirkland & Ellis LLP  
153 East 53<sup>rd</sup> Street  
New York, NY 10022  
Telephone: 212-446-4800  
Facsimile: 212-446-4900

If to Monsanto: David Snively, Esq. (General Counsel)  
Monsanto Company  
800 North Lindbergh Boulevard  
St. Louis, MO 63167

with a copy (which shall not constitute notice) to:

John C. Longmire, Esq.  
Willkie Farr & Gallagher LLP  
787 Seventh Avenue  
New York, NY 10019  
Fax: (212) 728-8111

George T. Frampton, Jr., Esq.  
Boies, Schiller & Flexner LLP  
570 Lexington Avenue, 16th Floor  
New York, NY 10022  
Fax: 212-446-2350

Lloyd A. Palans, Esq.  
Bryan Cave LLP  
One Metropolitan Square  
211 N. Broadway  
St. Louis, MO 63102-2750  
Fax: 314-259-2020

(Counsel to Monsanto)

or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section 10.04.

Section 10.05 Amendment and Modification. This Agreement may be amended, modified or supplemented only by a written agreement signed by all of the parties hereto.

Section 10.06 Successors and Assigns; No Third Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, but, except as provided in Section 7.02, neither this Agreement nor any of the rights, interests and obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties. Except for the provisions of Article V relating to Indemnitees, which are also for the benefit of the Indemnitees, this Agreement is solely for the benefit of the parties hereto and is not intended to confer upon any other Persons any rights or remedies hereunder.

Section 10.07 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.08 Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Each party acknowledges that money damages would be an inadequate remedy for any breach of the provisions of this Agreement and agrees that the obligations of the parties hereunder shall be specifically enforceable.

Section 10.09 Complete Agreement. This Agreement, the Commercial and Operating Agreements, the Plan and the Retiree Settlement Agreement shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall supercede all previous negotiations, commitments and writings with respect to such subject matter. Solutia and Monsanto hereby waive any claims, rights or arguments they may be able to assert on the basis that this Agreement, the Commercial and Operating Agreements, the Plan and the Retiree Settlement Agreement were not executed simultaneously or as part of the same transaction. For all purposes, the Commercial and Operating Agreements shall be integrated into this Agreement in the same way and on the same terms, if at all, that they were integrated with the Distribution Agreement. The Plan and its terms and the Retiree Settlement Agreement and its terms are incorporated herein by reference. For all purposes, this Agreement the Plan and the Retiree Settlement Agreement are an integrated and unitary contract not subject to severability.

\* \* \* \*



IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement on the day and year first above written.

SOLUTIA INC.

By: /s/Jeffry N. Quinn  
Name: Jeffry N. Quinn  
Title: Chairman, President and CEO

MONSANTO COMPANY

By: /s/David F. Snively  
Name: David F. Snively  
Title: Sr. V.P., Secretary & General Counsel

SFC LLC

By: \_\_\_\_\_  
Name:  
Title:  
Dated:

All notices to be provided to SFC LLC in accordance with Section 10.04 of this Agreement shall be addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Appendix A**

Anniston Plant (as described in Exhibit Q1 hereto)<sup>1</sup>  
Chocolate Bayou Plant  
Columbia Plant  
Runcorn Plant  
Decatur Plant  
Delaware River Plant  
Foley Plant  
Ghent Plant  
Greenwood Plant  
Indian Orchard Plant  
Krummrich Plant (as described in Exhibit Q2 hereto)<sup>2</sup>  
LaSalle Plant  
Newport Plant  
Nitro Armour Creek Landfill  
Nitro Plant<sup>3</sup>  
Pensacola Plant  
Queeny Plant  
Ruabon Plant  
Rhosymedre Quarry  
Texas City (N80/S20 only)  
Trenton Plant  
Westport Plant  
Augusta Landfills

- 
- <sup>1</sup> Excluded from the Environmental Liability Costs for the Anniston Plant shall be (a) the operation and maintenance costs for the Staging and Soils Management Area (a.k.a. the Miller Property) and (b) the design, construction, operation and maintenance costs of the Supplemental Staging and Soils Management Area (both areas shown on Exhibit Q1), but only to the extent that such areas are used for disposal of contaminated materials from properties never owned or operated by Solutia. If these staging and soil management areas are used for disposal of materials from properties owned or operated by Solutia after the Solutia Spinoff, the above described Environmental Liability Costs shall be allocated based on the volume of such materials disposed, with the Anniston Shared Site allocated the volume of contaminated materials from properties never owned or operated by Solutia and the Anniston Plant allocated the volume of contaminated materials from properties owned or operated by Solutia after the Solutia Spinoff.
- <sup>2</sup> Excluded from the Environmental Liability Costs for the Krummrich Plant shall be the operation and maintenance costs for the Containment Cell (Lot M shown on Exhibit Q2), but only to the extent that such cell is used for disposal of contaminated materials from properties never owned or operated by Solutia. If the cell is used for disposal of materials from properties owned or operated by Solutia after the Solutia Spinoff, the above described Environmental Liability Costs shall be allocated based on the volume of such materials disposed, with the Sauget Shared Site allocated the volume of contaminated materials from properties never owned or operated by Solutia and the Krummrich Plant allocated the volume of contaminated materials from properties owned or operated by Solutia after the Solutia Spinoff.
- <sup>3</sup> For purposes of this Agreement, the Nitro Plant Retained Site extends to the property line as defined by West Virginia law.

**Appendix A Cont'd.**

Carondelet Plant

Beamer Road Property

Camden Plant

Carson Plant

Phosphate mining and processing facilities of P4 Production L.L.C. (to the extent operated by Solutia)<sup>4</sup>

Great Lakes Lawsuit (Solutia shall only be responsible for any judgment obtained by the United States against Solutia. Solutia shall have no obligation to indemnify Monsanto for any contribution sought by third parties from Pharmacia).

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<sup>4</sup> Environmental Liability Costs associated with P4 Production L.L.C. sites are the responsibility of Monsanto pursuant to the indemnification contained in the LLC Interest Purchase Agreement dated as of May 31, 2000 between Solutia, Pharmacia (which subsequently spun-off its interest in P4 Production L.L.C. to the new Monsanto Company) and P4 Production, L.L.C. Including these sites on Appendix A shall in no way affect Monsanto's obligation to indemnify Solutia, its subsidiaries and Affiliates under the LLC Interest Purchase Agreement.

**Appendix B**

AAA Septic Tank  
Anders Lane  
Arlington Blending /Galloway Pits  
Baxley  
Bay Drum (Fla)  
Bayonne Barrel  
Berlin & Farro  
Beulah Landfill  
Bloomfield Site Shutdown  
Blosenski Landfill  
Bluff Road  
Bob's Home Service  
Boston Edison  
Bottleworks Site  
Brio  
Brofiscin Quarry, Wales (UK)  
CBE Environmental  
Chemsol  
Combustion Inc.  
Cranston Sanitary Landfill  
Decatur Polysar (Novacor)  
Diamond Alkali  
Dixiana  
DOP Operations & Maintenance  
Everett Site Shutdown  
Fike/Artel  
Former HUB Property including property now owned by West Virginia Alcohol Beverage  
Control Authority<sup>5</sup>  
Hayford Bridge / Findett  
Hexagon Labs Superfund  
Iron Horse Billerica  
Jonas Transport

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<sup>5</sup> Regardless of the definition of Legacy Offsite, any contamination migrating from this Legacy Site onto the Nitro Plant Retained Site (the "Legacy Site Migration") shall be addressed by Solutia solely to the extent that no additional or expanded remedial measures are required to treat the contamination migrating onto the Nitro Plant Retained Site. However, should the contributions to site conditions from the Legacy Site Migration require different remediation technologies or larger remediation systems or other additional or expanded remedial action that will result in costs to Solutia greater than those that would have been incurred by Solutia but for the Legacy Site Migration (the "Additional Remediation"), Solutia will cooperate with Monsanto as to the most cost effective remediation of the Legacy Site Migration and Monsanto shall pay only any increased costs Solutia may incur for the Additional Remediation. Monsanto shall have the right, at its sole discretion, to perform the Additional Remediation at its expense rather than pay any increased costs of the Additional Remediation to Solutia.

**Appendix B Cont'd.**

Kanawha River<sup>6</sup>  
Kearny Site Shutdown  
Kenilworth Site Shutdown  
Lammers Barrel Factory Site  
Lion Oil - El Dorado  
Lion Oil - Gas Stations  
Malone  
Maryland Sand & Gravel  
Maxey Flats  
MEMC / Palo Alto  
Metamora Landfill  
MOTCO  
PAS Clothier Drum Disposal  
PAS Fulton Terminal  
PAS Oswego  
PASCO Landfill  
Picillo  
Port of Oakland  
Port Plastics - Corrective Action  
PSC Resources  
Santa Clara  
SCP – Carlstadt  
Sikes  
Skinner Landfill  
Solvent Recovery  
Spectron/Galaxy SF  
Tex Tin  
Texas City (Gulf Coast only)  
Thermochem  
Thompson Chemicals  
Tulalip Landfill  
White Chemical  
Woburn Aberjona River  
Woburn Industri-Plex (including parcel jointly owned by Solutia and Stauffer).

Incorporate all sites from Appendix B, Worldwide List of Shut Down or Sold Operating Locations or Appendix C of the Distribution Agreement unless they are (1) listed in Appendix A and C of this Agreement; (2) sites or portions of sites owned and/or operated by Solutia or to which Solutia sent waste at anytime after the Solutia Spinoff Date; or (3) Retained Offsites.

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<sup>6</sup> Monsanto will be responsible only for any dioxin-related (including dioxin and all related congeners and furans) remediation and natural resource damages (or NRDs) at this site.

### **Appendix C**

1. All areas outside of the Anniston Plant (as described in Exhibit Q1 hereto) that have or are alleged to have been contaminated (a) due to the operations of or migration of contamination from the Anniston Plant prior to the Solutia Spinoff or (b) due to disposal sites on property proximate to the Anniston Plant utilized by the Anniston Plant prior to the Solutia Spinoff.<sup>7</sup> Excluded are third party owned sites used for disposal of waste by Pharmacia that would qualify as Legacy Sites, unless such sites are proximate to the Anniston Plant.

2. All areas outside of the Krummrich Plant (as described in Exhibit Q2 hereto) that have or are alleged to have been contaminated (a) due to the operations of or migration of contamination from the Krummrich Plant prior to the Solutia Spinoff, or (b) due to waste disposal sites on property proximate to the Krummrich Plant utilized by the Krummrich Plant prior to the Solutia Spinoff, including without limitation the Sauget Area 1 Sites (inclusive of the Dead Creek Cell (Lot M shown on Exhibit Q2) and Sites G, H, I, L, M and N), the Sauget Area 2 Sites (inclusive of Sites O, P, Q (including Lot G shown on Exhibit Q2, but only to the extent that any contamination discovered thereon is similar to that discovered on Site Q), R (including the Site R groundwater migration control system - the barrier wall and pump treat system) and Lot H and Addition to Lot H shown on Exhibit Q2 and S), and the Sauget - Metro East Sanitary District site.<sup>8</sup> Excluded are third party owned sites used for disposal of waste by Pharmacia that would qualify as Legacy Sites, unless such sites are proximate to the Sauget Area 1 or Area 2 Sites.

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<sup>7</sup> To the best of their knowledge and belief without inquiry, neither Monsanto's nor Solutia's current environmental, health and safety staffs are aware of any such proximate disposal sites related to the operations of the Anniston Plant.

<sup>8</sup> To the best of their knowledge and belief without inquiry, neither Monsanto's nor Solutia's current environmental, health and safety staffs are aware of any other such proximate disposal sites related to the operations of the Krummrich Plant.

**Schedule 8.01(d)**

Facts and circumstances at the Kanawha River site set forth in the following documents are deemed disclosed for purposes of this Schedule 8.01(d):

Interim Report, Phase I Extent of Contamination (EOC) Sampling Results and Updated Phase II EOC Sampling Work Plan, dated December 9, 2005, prepared by Conestoga-Rovers and Associates and the documents referenced therein

Engineering Evaluation/Cost Analysis (EE/CA) Work Plan (CRA, April 6, 2004) and the documents referenced therein

In re Pharmacia Corporation and Monsanto Company, Administrative Order on Consent, EPA Docket No. 03-2003-0265-DC (2004)

Kanawha River fish consumption advisory for mercury (West Virginia Department of Health and Human Resources)

Kanawha River fish consumption advisory for PCBs (West Virginia Department of Health and Human Resources)

Notwithstanding the above, Monsanto does not currently know of any constituent other than dioxin, including all congeners of dioxin and furans, that the regulators are using, or, based on currently available information, are expected to use, to drive Environmental Remediation by Monsanto and/or Pharmacia in the Kanawha River.

**EXHIBIT A**  
**TO MONSANTO SETTLEMENT AGREEMENT**  
**HAS BEEN INTENTIONALLY REMOVED**



**EXHIBIT B  
TO MONSANTO SETTLEMENT  
AGREEMENT**

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA

UNITED STATES OF AMERICA

Plaintiff,

v.

PHARMACIA CORPORATION  
(p/k/a Monsanto Company) and  
SOLUTIA INC.,

Defendants.

CIVIL ACTION NO. CV-02-PT-0749-E

PARTIAL CONSENT DECREE

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**PARTIAL CONSENT DECREE**

**I. BACKGROUND**

A. The United States of America ("United States"), on behalf of the Administrator of the United States Environmental Protection Agency ("EPA"), filed a complaint in this matter pursuant to Sections 106, 107, and 113(g)(2) of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. §§ 9606, 9607, §9613(g)(2).

B. The United States in its complaint seeks, inter alia: (1) reimbursement of costs to be incurred by EPA and the Department of Justice for response actions at the Anniston PCB Superfund Site in Anniston, Calhoun County, Alabama, ("Site"); (2) performance of studies and response work by the Defendants at the Site consistent with the National Contingency Plan, 40 C.F.R. Part 300 (as amended) ("NCP"), and (3) a declaratory judgment on liability for response costs that will be binding on any subsequent action or actions to recover further response costs pursuant to Section 113(g)(2), 42 U.S.C. §9613(g)(2).

C. This Partial Consent Decree ("Consent Decree"), which was filed along with the United States complaint, seeks to partially resolve the claims of the Plaintiff against the Defendants by, inter alia, the payment of Future Response Costs, Administrative Order on Consent (AOC) Oversight Costs, the performance of a Remedial Investigation/Feasibility Study (RI/FS) pursuant to the attached RI/FS Agreement and Statement of Work (SOW), the performance of a Non-time Critical Removal (NTC Removal) pursuant to the attached NTC Removal Agreement and continuation of a time critical removal action pursuant to the attached Removal Order. The Parties acknowledge that this Consent Decree does not resolve all of the United States' claims against Defendants under Sections 106, 107, and 113(g)(2) of CERCLA, 42 U.S.C. §§ 9606, 9607, 9613(g)(2), with respect to the Site. The Parties acknowledge that it will be necessary to enter into a separate Consent Decree in the future to address the remedy selected in the Record of Decision (ROD) and to address all costs associated with the Site incurred by EPA after the public participation period for the ROD. Nothing in this Consent Decree, the RI/FS Agreement, the Removal Order, the NTC Removal Agreement, or the complaint filed with this Consent Decree shall be construed to grant the Defendants or any other party the right to seek judicial review of the ROD, or any other response actions taken by EPA at the Site. As provided in Paragraph 46, Defendants shall not assert, and may not maintain that the claims raised by the United States in any subsequent proceeding (including, but not limited to, the filing of another consent decree with this Court) were or should have been brought in the instant case.

D. In accordance with Section 122(j)(1) of CERCLA, 42 U.S.C. § 9622(j)(1), EPA notified the U.S. Department of Interior and the National Oceanic and Atmospheric Administration on November 19, 2001 of negotiations with potentially responsible parties regarding the release of hazardous substances that may have resulted in injury to the natural resources under Federal trusteeship and encouraged the trustees to participate in the negotiation of this Consent Decree.

E. EPA notified the Alabama Department of Environmental Management on November 19, 2001 of negotiations with potentially responsible parties regarding the release of hazardous substances that may have resulted in injury to the natural resources under State trusteeship and encouraged the trustee to participate in the negotiation of this Consent Decree.

F. The Site is not currently listed on the National Priorities List (NPL).

G. The Defendants that have entered into this Consent Decree do not admit any liability to the Plaintiff arising out of the transactions or occurrences alleged in the complaint, nor do they acknowledge that the release or threatened release of hazardous substances at or from the Site constitutes an imminent or substantial endangerment to the public health or welfare or the environment.

H. Solely for the purposes of Section 113(j) of CERCLA, 42 U.S.C. § 9613(j), the RI/FS Work, NTC Removal Work, and Removal Order Work to be performed by the Defendants pursuant to this Consent Decree, shall constitute a response action taken or ordered by the President.

I. On, March 25, 2002, the proposed Consent Decree between plaintiff the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), and the Defendants was lodged with the Court. Pursuant to 28 C.F.R. § 50.7, notice of lodging was published in the Federal Register on April 4, 2002 at 67 Fed. Reg. 16124. Upon request, the public comment period was extended from thirty (30) days to sixty (60) days.<sup>2</sup> The public comment period closed on June 3, 2002. During the comment period, over 370 comments were submitted by the public. The United States will provide all of the public's comments and the United States' response to them with its Motion to Enter the Consent Decree. This Consent Decree and its appendices include the following changes made in response to the comments: 1) RI/FS Agreement and SOW, Appendices A & B, were modified to provide for performance of the Human Health Risk Assessment by EPA; 2) Appendix G, NTC Removal Agreement, was added to require Defendants to conduct an Engineering Evaluation / Cost Analysis (EE/CA) for residential properties, which incorporates EPA's Streamlined Risk Evaluation (SRE), and to clean up the residential properties if EPA selects a response action within the parameters set forth in the attached NTC Removal Agreement; 3) Section XV of this Consent Decree was added to include an agreement by Defendants that they will not challenge the listing of the Site on the NPL a) if they are substantially out of compliance with the Consent Decree, or b) based upon changed Site conditions that result from the NTC Removal Agreement or Removal Order; 4) Section XIX of the RI/FS Agreement, Appendix A, was modified to increase the amount of the stipulated penalties; 5) Section VI of this Consent Decree, regarding funding for the educational trust, was modified to spread the payments out more evenly over the funding period; and 6) Section IX of the RI/FS Agreement Appendix A, was modified to allow the state to comment on the contractors selected by EPA.

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<sup>2</sup> The second notice of lodging was published in the federal register at 67 Fed. Reg. 20550. This publication extended the comment period and corrected an error in the first publication.

J. The Parties recognize, and the Court by entering this Consent Decree finds, that this Consent Decree has been negotiated by the Parties in good faith and implementation of this Consent Decree will expedite the cleanup of the Site and will avoid prolonged and complicated litigation between the Parties, and that this Consent Decree is fair, reasonable, and in the public interest.

NOW, THEREFORE, it is hereby Ordered, Adjudged, and Decreed:

## **II. JURISDICTION AND VENUE**

1. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1345, and 42 U.S.C. §§ 9606, 9607, and 9613(b). Venue is proper in the United States District Court for the Northern District of Alabama pursuant to 28 U.S.C. § 1391 because the Defendants' Property is located in this District. This Court also has personal jurisdiction over the Defendants. Solely for the purposes of this Consent Decree and the underlying complaint, Defendants waive all objections and defenses that they may have to jurisdiction of the Court or to venue in this District. Defendants shall not challenge the terms of this Consent Decree or this Court's jurisdiction to enter and enforce this Consent Decree.

## **III. PARTIES BOUND**

2. This Consent Decree applies to and is binding upon the United States and upon Defendants and their successors and assigns. Any change in ownership or corporate status of a Defendant including, but not limited to, any transfer of assets or real or personal property, shall in no way alter such Defendant's responsibilities under this Consent Decree.

3. With regard to the activities undertaken pursuant to this Consent Decree, each contractor and subcontractor shall be deemed to be in a contractual relationship with the Defendants within the meaning of Section 107(b)(3) of CERCLA, 42 U.S.C. § 9607(b)(3).

## **IV. DEFINITIONS**

4. Unless otherwise expressly provided herein, terms used in this Consent Decree which are defined in CERCLA or in regulations promulgated under CERCLA shall have the meaning assigned to them in CERCLA or in such regulations. Whenever terms listed below are used in this Consent Decree or in the appendices attached hereto and incorporated hereunder, the following definitions shall apply (provided, however, if an appendix defines one of the terms listed below, then the definition in the appendix shall apply to that appendix):

- A. "ADEM" shall mean the Alabama Department of Environmental Management and any successor departments or agencies of the State.

- B. "Anniston Lead Site" shall mean for the purposes of this Consent Decree, the Anniston Lead Site, which consists of the area where lead and other commingled hazardous substances, including PCBs, associated with the historical and ongoing industrial operations in and around Anniston, Alabama have come to be located.
- C. "AOC Oversight Costs" shall have the meaning set forth in the Removal Order attached to this Consent Decree.
- D. "Anniston PCB Site Special Account" shall mean the special account established for the Site by EPA pursuant to Section 122(b)(3) of CERCLA, 42 U.S.C. §9622(b)(3).
- E. "CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601 et seq.
- F. "Consent Decree" shall mean this Decree and all appendices (including the RI/FS Agreement, the NTC Removal Agreement, the Removal Order, and the SOW) attached hereto and listed in Section XVII.
- G. "Day" shall mean a calendar day unless expressly stated to be a working day. "Working day" shall mean a day other than a Saturday, Sunday, or Federal holiday. In computing any period of time under this Consent Decree, where the last day would fall on a Saturday, Sunday, or Federal holiday, the period shall run until the close of business of the next working day.
- H. "Defendants" shall mean Pharmacia Corporation (p/k/a Monsanto Company) and Solutia Inc.
- I. "Defendants' Property" shall mean the property owned by Defendants as of January 1, 2002, as marked on the attached map (Figure 1.)
- J. "Effective Date" shall be the date of entry by the Court of this Consent Decree as provided in Paragraph 54.
- K. "EPA" shall mean the United States Environmental Protection Agency and any successor departments or agencies of the United States.
- L. "Future Response Costs" shall mean all costs, except ATSDR costs, that the United States incurs through the public participation period for the ROD with respect to the RI/FS Agreement, the NTC Removal Agreement, and/or the Consent Decree. Future Response Costs may include, but are not limited to, costs incurred by the U.S. Government in overseeing Respondents' implementation of the requirements of the RI/FS Agreement or NTC Removal Agreement, verifying the RI/FS Work or NTC Removal Work, or otherwise implementing, overseeing, or enforcing the RI/FS

Agreement or NTC Removal Agreement, and/or this Consent Decree and any activities performed by the government as part of the RI/FS or NTC Removal including community relations and any costs incurred while obtaining access. Costs shall include all direct and indirect costs, including, but not limited to, time and travel costs of EPA personnel and associated indirect costs, contractor costs, cooperative agreement costs, compliance monitoring, including the collection and analysis of split samples, inspection of RI/FS or NTC Removal activities, site visits, discussions regarding disputes that may arise as a result of the RI/FS Agreement, NTC Removal Agreement or Consent Decree, review and approval or disapproval of reports, and costs of redoing any of Respondents' tasks. Future Response Costs shall also include all Interim Response Costs. Provided, however, removal AOC Oversight Costs are not Future Response Costs pursuant to this Consent Decree. Defendants shall reimburse EPA for removal AOC Oversight Costs as provided in the Removal Order. Future Response Costs do not include costs that the United States incurs at the Anniston Lead Site.

- M. "Interim Response Costs" shall mean all costs, except ATSDR costs, including direct and indirect costs, (a) paid by the United States in connection with the Site between January 4, 2001 and the Effective Date, or (b) incurred prior to the Effective Date but paid after that date. Provided, however, removal AOC Oversight Costs are not Interim Response Costs pursuant to this Consent Decree. Defendants shall reimburse EPA for removal AOC Oversight Costs as provided in the Removal Order. Interim Response Costs do not include costs paid by the United States in connection with the Anniston Lead Site.
- N. "Interest," shall mean interest at the rate specified for interest on investments of the EPA Hazardous Substance Superfund established by 26 U.S.C. § 9507, compounded annually on October 1 of each year, in accordance with 42 U.S.C. § 9607(a). The applicable rate of interest shall be the rate in effect at the time the interest accrues. The rate of interest is subject to change on October 1 of each year.
- O. "National Contingency Plan" or "NCP" shall mean the National Oil and Hazardous Substances Pollution Contingency Plan promulgated pursuant to Section 105 of CERCLA, 42 U.S.C. § 9605, codified at 40 C.F.R. Part 300, and any amendments thereto.
- P. "NTC Removal Agreement" shall mean the Agreement for the Non-time Critical Removal at the Site, as set forth in Appendix G to this Consent Decree and incorporated herein.
- Q. "NTC Removal Work" shall mean all activities Defendants are required to perform pursuant to the attached NTC Removal Agreement.



- R. "October 27, 2000 AOC" shall mean the Administrative Order on Consent, docket no. 01-02-C, for a removal action regarding the Anniston PCB Site (Site) which was effective on October 27, 2000. The October 27, 2000 AOC was rescinded and replaced by the Removal Order.
- S. "Paragraph" shall mean a portion of this Consent Decree identified by an Arabic numeral or an upper case letter.
- T. "Parties" shall mean the United States and the Defendants.
- U. "Plaintiff" shall mean the United States.
- V. "RCRA" shall mean the Solid Waste Disposal Act, as amended, 42 U.S.C. §§ 6901 et seq. (also known as the Resource Conservation and Recovery Act).
- W. "RCRA Facility Investigation" or "RFI" shall mean the work being conducted pursuant to Defendants' RCRA Permit.
- X. "RCRA Permit" shall mean the RCRA Post Closure Permit, ALD 004019048, issued by ADEM on January 7, 1997 as modified on May 21, 2001, and any subsequent modifications thereto.
- Y. "Record of Decision" or "ROD" shall mean the official EPA decision document on the selection of a remedy that makes all determinations and findings required by CERCLA and the NCP.
- Z. "Remedial Investigation/Feasibility Study (RI/FS)" shall mean the response actions identified in 40 C.F.R. § 300.5 undertaken by Defendants pursuant to the RI/FS Agreement to determine the nature and extent of contamination at the Anniston PCB Site and develop and evaluate potential remedial alternatives.
- AA. "Removal Order" shall mean the Administrative Order on Consent, docket no. CER-04-2002-3752, for a removal action regarding the Anniston PCB Site (Site) which was effective on October 5, 2001. The Removal Order is set forth in Appendix C to this Consent Decree and incorporated herein.
- BB. "Removal Order Work" shall mean all activities Defendants are required to perform pursuant to the attached Removal Order.
- CC. "RI/FS Agreement" shall mean the Agreement for the RI/FS at the Site, as set forth in Appendix A to this Consent Decree and incorporated herein.

- DD. "RI/FS Work" shall mean all activities Defendants are required to perform pursuant to the attached RI/FS Agreement. RI/FS Work does not include any activities or work EPA determines to be necessary at any other Site (including the Anniston Lead Site). RI/FS Work does not include any additional activities or work that EPA determines to be necessary after EPA approval of the certification of completion issued pursuant to Paragraph 87 of the RI/FS Agreement.
- EE. "Section" shall mean a portion of this Consent Decree identified by a Roman numeral.
- FF. "Site" shall mean, for the purposes of this Consent Decree, the Anniston PCB Site, which consists of the area where hazardous substances, including PCBs associated with releases or discharges as a result of the operations, including waste disposal, of the Anniston plant by Solutia Inc., Monsanto Company, and their predecessors have come to be located. The Site includes, but is not limited to, the area covered by the RCRA Permit.
- GG. "State" shall mean the State of Alabama.
- HH. "Statement of Work" or "SOW" shall mean the Statement of Work for implementation of the RI/FS Agreement, as set forth in Appendix B to this Consent Decree and any modifications made in accordance with this Consent Decree and incorporated herein.
- II. "United States" shall mean the United States of America.
- JJ. "Waste Material" shall mean (1) any "hazardous substance" under Section 101(14) of CERCLA, 42 U.S.C. § 9601(14); (2) any pollutant or contaminant under Section 101(33), 42 U.S.C. § 9601(33); and (3) any "solid waste" under Section 1004(27) of RCRA, 42 U.S.C. § 6903(27).

## V. GENERAL PROVISIONS

### 5. Objectives of the Parties

The objectives of the Parties in entering into this Decree are: (a) to determine the nature and extent of contamination and any threat to the public health, welfare, or the environment caused by the release or threatened release of hazardous substances, pollutants or contaminants at or from the Site, by conducting a Remedial Investigation; (b) to determine and evaluate alternatives for remedial action (if any) to prevent, mitigate or otherwise respond to or remedy any release or threatened release of hazardous substances, pollutants, or contaminants at or from the Site, by conducting a Feasibility Study; (c) to conduct an EE/CA for residential properties; (d) to clean up the residential properties if the decision by EPA regarding the appropriate NTC Removal is within the parameters set forth in the attached NTC Removal Agreement; (e) to recover Future Response Costs and AOC Oversight Costs incurred by EPA with respect to the Site, (f) to create a foundation to benefit the citizens of west

Anniston, (g) to provide funding for a Technical Assistance Plan (TAP) and a Community Advisory Group (CAG) for the affected community, (h) to incorporate the existing Removal Order into this Consent Decree and, (i) to partially resolve the claims of the Plaintiff against the Defendants.

6. Commitments by Defendants.

a. Defendants shall finance and perform the RI/FS Work, Removal Order Work, and NTC Removal Work in accordance with this Consent Decree, the RI/FS Agreement, the SOW, the NTC Removal Agreement and the Removal Order and all work plans and other plans, standards, specifications, and schedules set forth herein or developed by Defendants and approved by EPA pursuant to this Consent Decree. Defendants shall also reimburse the United States for Future Response Costs as provided in this Consent Decree, the RI/FS Agreement, and the NTC Removal Agreement; and for AOC Oversight Costs as provided in the Removal Order. Defendants shall also provide funding for a foundation to benefit the citizens of west Anniston, a Technical Assistance Plan (TAP), and a Community Advisory Group (CAG). Defendants shall fund a foundation which will provide special education, tutoring, or other supplemental educational services for the children of west Anniston that have learning disabilities or otherwise need additional educational assistance.

b. The obligations of Defendants to finance and perform the RI/FS Work, NTC Removal Work and Removal Order Work and to pay amounts under this Consent Decree are joint and several. In the event of the insolvency or other failure of any one or more of the Defendants to implement the requirements of this Consent Decree, the remaining Defendants shall complete all such requirements.

7. Compliance With Applicable Law. All activities undertaken by Defendants pursuant to this Consent Decree shall be performed in accordance with the requirements of all applicable federal and state laws and regulations. The activities conducted pursuant to this Consent Decree, if approved by EPA, shall be considered to be consistent with the NCP.

8. EPA entered into a Removal Order for a removal action regarding the Anniston PCB Site which was effective on October 5, 2001. The Removal Order is hereby incorporated into this Consent Decree. Nothing in this Consent Decree shall modify Solutia Inc.'s obligations under the Removal Order, unless otherwise provided herein. The Dispute Resolution provisions of the Removal Order shall control any dispute regarding the Removal Order, and Solutia Inc. shall pay AOC Oversight Costs pursuant to the Removal Order.

9. EPA and Defendants executed an RI/FS Agreement which is attached hereto and incorporated herein. The effective date of the RI/FS Agreement, shall be the date this Consent Decree is entered by the Court. EPA and Defendants executed a NTC Removal Agreement which is attached hereto and incorporated herein. The effective date of the NTC Removal Agreement, shall be the date this Consent Decree is entered by the Court.

## VI. CREATION OF A FOUNDATION FOR THE CITIZENS OF WEST ANNISTON

10. Defendants shall create a foundation for the benefit of the residents of west Anniston within 180 days from the Effective Date of this Consent Decree. The foundation shall be established under applicable law governing non-profit charitable organizations in order to qualify for tax exempt treatment within the meaning of Section 501(c)(3) of the Internal Revenue Code. The foundation shall be created for the following purpose: to provide special education, tutoring, or other supplemental educational services for the children of west Anniston that have learning disabilities or otherwise need additional educational assistance.

11. Defendants shall wire transfer to the foundation or to an existing entity or entities selected by the foundation, or to an escrow account (designated for the foundation) a total of \$3,218,846 pursuant to the payment schedule noted below. The first payment shall be made within sixty (60) days from the Effective Date of this Consent Decree. Defendants shall make the payments required for years two through twelve annually between January 1 and January 31, beginning in the first January after the Effective Date of this Consent Decree. The payments required each year shall be as follows:

Year 1:	\$214,221
Year 2:	\$222,790
Year 3:	\$231,702
Year 4:	\$240,970
Year 5:	\$250,609
Year 6:	\$260,633
Year 7:	\$271,058
Year 8:	\$281,900
Year 9:	\$293,177
Year 10:	\$304,904
Year 11:	\$317,099
Year 12:	<u>\$329,783</u>
Total	\$3,218,846

If Defendants fail to make the payments required pursuant to this Paragraph, Defendants shall pay interest on the unpaid balance to the foundation or to an existing entity or entities selected by the foundation or to an escrow account (designated by the foundation). Defendants shall provide EPA with documentation indicating that the payments have been made within thirty (30) days from the date of payment.

12. The foundation shall seek input from the CAG created pursuant to this Consent Decree, any consultants retained by Defendants, as well as representatives of the community at large, including educators, the Superintendent of Schools, the School Board and other local officials, in order to determine the following:

- a) how these funds shall be expended;

- b) whether the funds shall go to an existing entity or entities, or whether a new entity or entities shall be created;
- c) how the new entity or entities should be structured if the funds do not go to an existing entity or entities; and
- d) what limitations shall be placed on the recipient regarding the use of the funds.

After receiving such input, the foundation shall make written determinations regarding a-d above. Defendants shall provide EPA a copy of the foundations written determinations and make them available to the public.

13. All proceeds shall be spent in accordance with the requirements of the foundations written determinations. Defendants shall provide EPA with an annual accounting every January for at least twelve years after the Effective Date of this Consent Decree documenting all expenditures pursuant to this Section. If all funds are not expended within twelve years from the Effective Date, Defendants shall continue to provide the annual accounting until all funds are expended. The accounting shall certify whether all expenditures were made in accordance with the foundations written determinations. Defendants will purchase insurance or a bond to assure that the foundation and entity or entities selected by the foundation perform in accordance with the foundations written determinations. In addition to the \$3,218,846 Defendants are required to pay pursuant to Paragraph 11, Defendants shall pay all costs of administering the foundation.

#### VII. STIPULATED PENALTIES

14. Defendants shall be liable for stipulated penalties to the United States for failure to comply with the requirements of this Consent Decree as specified below. The following stipulated penalties shall accrue per violation per day for failure to make the payments required pursuant to Section VI (Creation of a Foundation For The Citizens of West Anniston).

Penalty Per Violation Per Day	Period of Noncompliance
\$750	1st through 14th day
\$2,000	15th through 30th day
\$5,000	31st day and beyond

15. Following EPA's determination that Defendants have failed to comply with a requirement of this Consent Decree, EPA may give Defendants written notification of the same and describe the noncompliance. EPA may send the Defendants a written demand for the payment of the penalties. However, penalties shall accrue as provided in the preceding Paragraph regardless of whether EPA has notified the Defendants of a violation.

16. All penalties accruing under this Section shall be due and payable to the United States within thirty (30) days of the Defendants' receipt from EPA of a demand for payment of the penalties. All payments to the United States under this Section shall be paid by 1) certified or cashier's check made payable to the "EPA Hazardous Substance Superfund," shall be mailed to U.S. EPA Region 4,

Superfund Accounting, Attn: Collection Officer in Superfund, P.O. Box 100142, Atlanta, GA 30384, shall indicate that the payment is for stipulated penalties, and shall reference the EPA Region and Site/Spill ID #04S9, the DOJ Case Number 90-11-2-07135/1 and the name and address of the party making payment, or 2) if the amount is greater than \$10,000 payment may be made by FedWire Electronic Funds Transfer ("EFT") pursuant to the instructions provided by Paula V. Batchelor of Region 4. Copies of check(s) paid pursuant to this Section, and any accompanying transmittal letter(s), or notification of electronic wire transfer of funds, shall be sent to Dustin F. Minor, U.S. EPA Region 4, Environmental Accountability Division, 61 Forsyth Street, S.W., Atlanta, GA 30303-8960, and to Paula V. Batchelor, U.S. EPA Region 4, 4WD-PSB/11th floor, 61 Forsyth Street, S.W., Atlanta, GA, 30303-8960, or their successors.

17. The payment of penalties shall not alter in any way Defendants' obligation to complete the performance of the RI/FS Work, NTC Removal Work and Removal Order Work required under this Consent Decree.

18. If Defendants fail to pay stipulated penalties when due, the United States may institute proceedings to collect the penalties, as well as interest.

19. Nothing in this Consent Decree shall be construed as prohibiting, altering, or in any way limiting the ability of the United States to seek any other remedies or sanctions available by virtue of Defendants' violation of this Decree or of the statutes and regulations upon which it is based, including, but not limited to, EPA's right to conduct all or part of the RI/FS itself or to seek penalties pursuant to Section 122(l) of CERCLA, 42 U.S.C. § 9622(l).

20. Notwithstanding any other provision of this Section, the United States may, in its unreviewable discretion, waive any portion of stipulated penalties that have accrued pursuant to this Consent Decree.

#### VIII. DISPUTE RESOLUTION

21. The Dispute Resolution provisions of the RI/FS Agreement shall be the exclusive mechanism to resolve disputes arising under or with respect to the RI/FS Agreement. The Dispute Resolution provisions of the NTC Removal Agreement shall be the exclusive mechanism to resolve disputes arising under or with respect to the NTC Removal Agreement. The Dispute Resolution provisions of the Removal Order shall be the exclusive mechanism to resolve disputes arising under or with respect to the Removal Order. This Dispute Resolution Section is only applicable to requirements that are contained in the Consent Decree itself, and is not applicable to disputes regarding the RI/FS Agreement, the NTC Removal Agreement, or the Removal Order.

22. Unless otherwise expressly provided for in this Consent Decree, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Consent Decree. However, the procedures set forth in this Section shall not apply to actions by the United States to enforce obligations of the Defendants that have not been disputed in

accordance with this Section. As provided in Paragraph 21, this Dispute Resolution Section does not apply to any disputes regarding the RI/FS Agreement, the NTC Removal Agreement or the Removal Order.

23. Any dispute which arises under or with respect to this Consent Decree shall in the first instance be the subject of informal negotiations between the parties to the dispute. The period for informal negotiations shall not exceed twenty (20) days from the time the dispute arises, unless it is modified by written agreement of the parties to the dispute. The dispute shall be considered to have arisen when one party sends the other parties a written Notice of Dispute.

24. Statements of Position

a. In the event that the parties cannot resolve a dispute by informal negotiations under the preceding Paragraph, then the position advanced by EPA shall be considered binding unless, within twenty-eight (28) days after the conclusion of the informal negotiation period, Defendants invoke the formal dispute resolution procedures of this Section by serving on the United States a written Statement of Position on the matter in dispute, including, but not limited to, any factual data, analysis or opinion supporting that position and any supporting documentation relied upon by the Defendants. The Statement of Position shall specify the Defendants' position as to whether formal dispute resolution should proceed under Paragraph 25 or Paragraph 26.

b. Within twenty-eight (28) days after receipt of Defendants' Statement of Position, EPA will serve on Defendants its Statement of Position, including, but not limited to, any factual data, analysis, or opinion supporting that position and all supporting documentation relied upon by EPA. EPA's Statement of Position shall include a statement as to whether formal dispute resolution should proceed under Paragraph 25 or 26. Within fourteen (14) days after receipt of EPA's Statement of Position, Defendants may submit a Reply.

c. If there is disagreement between EPA and the Defendants as to whether dispute resolution should proceed under Paragraph 25 or 26, the parties to the dispute shall follow the procedures set forth in the paragraph determined by EPA to be applicable. However, if the Defendants ultimately appeal to the Court to resolve the dispute, the Court shall determine which paragraph is applicable in accordance with the standards of applicability set forth in Paragraphs 25 and 26.

25. Formal dispute resolution for disputes pertaining to the selection or adequacy of any response action and all other disputes that are accorded review on the administrative record under applicable principles of administrative law shall be conducted pursuant to the procedures set forth in this Paragraph. For purposes of this Paragraph, the adequacy of any response action includes, without limitation: (1) the adequacy or appropriateness of plans, procedures to implement plans, or any other items requiring approval by EPA under this Consent Decree; and (2) the adequacy of the performance of response actions taken pursuant to this Consent Decree. Nothing in this Consent Decree shall be construed to allow any dispute by Defendants regarding the validity of the ROD's provisions.

a. An administrative record of the dispute shall be maintained by EPA and shall contain all statements of position, including supporting documentation, submitted pursuant to this Section. Where appropriate, EPA may allow submission of supplemental statements of position by the parties to the dispute.

b. The Director of the Waste Management Division, EPA Region 4, will issue a final administrative decision resolving the dispute based on the administrative record described in Paragraph 25.a. This decision shall be binding upon the Defendants, subject only to the right to seek judicial review pursuant to Paragraph 25.c. and d.

c. Any administrative decision made by EPA pursuant to Paragraph 25.b. shall be reviewable by this Court, provided that a motion for judicial review of the decision is filed by the Defendants with the Court and served on all Parties within twenty (20) days of receipt of EPA's decision. The motion shall include a description of the matter in dispute, the efforts made by the parties to resolve it, the relief requested, and the schedule, if any, within which the dispute must be resolved to ensure orderly implementation of this Consent Decree. The United States may file a response to Defendants' motion.

d. In proceedings on any dispute governed by this Paragraph, Defendants shall have the burden of demonstrating that the decision of the Waste Management Division Director is arbitrary and capricious or otherwise not in accordance with law. Judicial review of EPA's decision shall be on the administrative record compiled pursuant to Paragraph 25.a.

26. Formal dispute resolution for disputes that neither pertain to the selection or adequacy of any response action nor are otherwise accorded review on the administrative record under applicable principles of administrative law, shall be governed by this Paragraph.

a. Following receipt of Defendants' Statement of Position submitted pursuant to Paragraph 24, the Director of the Waste Management Division, EPA Region 4, will issue a final decision resolving the dispute. The Waste Management Division Director's decision shall be binding on the Defendants unless, within twenty (20) days of receipt of the decision, the Defendants file with the Court and serve on the parties a motion for judicial review of the decision setting forth the matter in dispute, the efforts made by the parties to resolve it, the relief requested, and the schedule, if any, within which the dispute must be resolved to ensure orderly implementation of the Consent Decree. The United States may file a response to Defendants' motion.

b. Notwithstanding Paragraph H of Section I (Background) of this Consent Decree, judicial review of any dispute governed by this Paragraph shall be governed by applicable principles of law.

27. The invocation of formal dispute resolution procedures under this Section shall not extend, postpone or affect in any way any obligation of the Defendants under this Consent Decree, not directly in dispute, unless EPA or the Court agrees otherwise. Stipulated penalties with respect to the disputed



matter shall continue to accrue but payment shall be stayed pending resolution of the dispute. Notwithstanding the stay of payment, stipulated penalties shall accrue from the first day of noncompliance with any applicable provision of this Consent Decree. In the event that the Defendants do not prevail on the disputed issue, stipulated penalties shall be assessed and paid as provided in Section VII (Stipulated Penalties).

#### IX. REIMBURSEMENT OF RESPONSE COSTS

28. Payments for Future Response Costs. Defendants shall pay to EPA all Future Response Costs as provided in the RI/FS Agreement and the NTC Removal Agreement.

29. Payments for AOC Oversight Costs. Defendants shall pay to EPA AOC Oversight Costs as provided in the Removal Order.

#### X. COVENANTS NOT TO SUE BY PLAINTIFF

30. In consideration of the actions that will be performed and the payments that will be made by the Defendants under the terms of the Consent Decree, and except as specifically provided in Paragraph 31 of this Section, the United States covenants not to sue or to take administrative action against Defendants pursuant to Sections 106 and 107(a) of CERCLA for performance of the RI/FS Work, NTC Removal Work and Removal Order Work and for recovery of Future Response Costs, and AOC Oversight Costs as defined herein. These covenants not to sue shall take effect upon EPA approval of the certification of completion submitted pursuant to Paragraph 87 of the RI/FS Agreement. These covenants not to sue are conditioned upon the satisfactory performance by Defendants of their obligations under this Consent Decree, the RI/FS Agreement, the NTC Removal Agreement and the Removal Order. These covenants not to sue extend only to the Defendants and do not extend to any other person.

31. General reservations of rights. The United States reserves, and this Consent Decree is without prejudice to, all rights against Defendants with respect to all matters not expressly included within Plaintiff's covenant not to sue. Notwithstanding any other provision of this Consent Decree, the United States reserves all rights against Defendants with respect to:

- a. claims based on a failure by Defendants to meet a requirement of this Consent Decree;
- b. liability arising from the past, present, or future disposal, release, or threat of release of Waste Material outside of the Site;
- c. liability for future disposal of Waste Material at the Site, other than as provided in the ROD, the RI/FS Work, the NTC Removal Work, the Removal Order Work, or otherwise ordered by EPA;

d. liability for damages for injury to, destruction of, or loss of natural resources, and for the costs of any natural resource damage assessments;

e. criminal liability;

f. liability for violations of federal or state law which occur during or after implementation of the RI/FS Work, the NTC Removal Work and the Removal Order Work;

g. liability for costs incurred or to be incurred by the United States that are not within the definition of Future Response Costs or AOC Oversight Costs,

h. liability for the Site that is not within the definition of RI/FS Work, NTC Removal Work or Removal Order Work (including, but not limited to, injunctive relief or administrative order enforcement under Section 106 of CERCLA);

i. liability for costs incurred or to be incurred by ATSDR related to the Site; and

j. liability for the Anniston Lead Site.

32. Notwithstanding any other provision of this Consent Decree, the RI/FS Agreement, the NTC Removal Agreement and/or the Removal Order, the United States retains all authority and reserves all rights to take any and all response actions authorized by law.

33. EPA reserves the right to assert that pursuant to 42 U.S.C. § 9613(h) that no court shall have jurisdiction to review any challenges to any removal or remedial action selected under 42 U.S.C. § 9604, including, but not limited to, the remedy selected in the ROD, or to review any order issued under 42 U.S.C. § 9606(a), based on this Consent Decree including, but not limited to, the RI/FS Agreement, the Removal Order, the NTC Removal Agreement or the complaint filed with the Consent Decree.

34. EPA reserves the right to conduct all or a portion of the RI/FS Work, the NTC Removal Work, and the Removal Order Work itself at any point, to seek reimbursement from Defendants, and or to seek any other appropriate relief.

#### **XI. COVENANTS NOT TO SUE BY DEFENDANTS**

35. Covenant Not to Sue. Subject to the reservations in Paragraph 36, Defendants hereby covenant not to sue and agree not to assert any claims or causes of action against the United States with respect to the RI/FS Work, the NTC Removal Work and the Removal Order Work and for recovery of Future Response Costs and AOC Oversight Costs as defined herein or this Consent Decree, including, but not limited to:

a. any direct or indirect claim for reimbursement from the Hazardous Substance Superfund (established pursuant to the Internal Revenue Code, 26 U.S.C. § 9507) through CERCLA Sections 106(b)(2), 107, 111, 112, 113 or any other provision of law;

b. any claims against the United States, including any department, agency or instrumentality of the United States under CERCLA Sections 107 or 113 related to the Site; or

c. any claims arising out of response actions at or in connection with the Site, including any claim under the United States Constitution, the Alabama Constitution, the Tucker Act, 28 U.S.C. § 1491, the Equal Access to Justice Act, 28 U.S.C. § 2412, as amended, or at common law.

d. any direct or indirect claim for disbursement from the Anniston PCB Site Special Account.

36. The Defendants reserve, and this Consent Decree is without prejudice to, claims against the United States, subject to the provisions of Chapter 171 of Title 28 of the United States Code, for money damages for injury or loss of property or personal injury or death caused by the negligent or wrongful act or omission of any employee of the United States while acting within the scope of his office or employment under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where the act or omission occurred. However, any such claim shall not include a claim for any damages caused, in whole or in part, by the act or omission of any person, including any contractor, who is not a federal employee as that term is defined in 28 U.S.C. § 2671; nor shall any such claim include a claim based on EPA's selection of response actions, or the oversight or approval of the Defendants' plans or activities. The foregoing applies only to claims which are brought pursuant to any statute other than CERCLA and for which the waiver of sovereign immunity is found in a statute other than CERCLA.

37. Nothing in this Consent Decree shall be deemed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611, or 40 C.F.R. § 300.700(d).

#### XII. EFFECT OF SETTLEMENT; CONTRIBUTION PROTECTION

38. Nothing in this Consent Decree shall be construed to create any rights in, or grant any cause of action to, any person not a Party to this Consent Decree. The preceding sentence shall not be construed to waive or nullify any rights that any person not a signatory to this decree may have under applicable law. Each of the Parties expressly reserves any and all rights (including, but not limited to, any right to contribution), defenses, claims, demands, and causes of action which each Party may have with respect to any matter, transaction, or occurrence relating in any way to the Site and/or the Anniston Lead Site against any person not a Party hereto.

39. The Parties agree, and by entering this Consent Decree this Court finds, that the Defendants are entitled, as of the Effective Date, to protection from contribution actions or claims as provided by CERCLA Section 113(f)(2), 42 U.S.C. § 9613(f)(2), for matters addressed in this

Consent Decree. The "matters addressed" in this Consent Decree are Future Response Costs, AOC Oversight Costs, RI/FS Work, NTC Removal Work and Removal Order Work as defined herein.

40. The Defendants agree that with respect to any suit or claim for contribution brought by them for matters related to this Consent Decree they will notify the United States in writing no later than 60 days prior to the initiation of such suit or claim.

41. The Defendants also agree that with respect to any suit or claim for contribution brought against them for matters related to this Consent Decree they will notify in writing the United States within 10 days of service of the complaint on them. In addition, Defendants shall notify the United States within 10 days of service or receipt of any Motion for Summary Judgment and within 10 days of receipt of any order from a court setting a case for trial.

### XIII. DISCLAIMER

42. Defendants signing of this Consent Decree and taking actions under it shall not be considered an admission of liability and is not admissible in evidence against the Defendants in any judicial or administrative proceeding other than a proceeding by the United States, including EPA, to enforce this Consent Decree or a judgment relating to it. Defendants retain their rights to assert claims against other potentially responsible parties at the Site. However, the Defendants agree not to contest the validity or terms of this Consent Decree, or the procedures underlying or relating to it in any action brought by the United States, including EPA, to enforce its terms.

### XIV. OTHER CLAIMS

43. Defendants agree not to assert, and may not maintain in this action or any subsequent administrative or judicial proceeding for injunctive relief, recovery of response costs, or other appropriate relief relating to the Site that this Consent Decree, or the complaint filed with it, grants a court jurisdiction pursuant to 42 U.S.C. § 9613(h) to review any challenges to any removal or remedial action selected under 42 U.S.C. § 9604, including, but not limited to, the remedy selected in the ROD, or to review any order issued under 42 U.S.C. § 9606(a).

44. Nothing in this Consent Decree shall be construed to limit EPA's authority to take over all or a portion of the RI/FS Work, the NTC Removal Work, or the Removal Order Work including, but not limited to, the Ecological Risk Assessment.

45. Nothing in this Consent Decree shall constitute or be construed as a release from any claim, cause of action or demand in law or equity against any person, firm, partnership, subsidiary or corporation not a signatory to this Consent Decree for any liability it may have arising out of or relating in any way to the generation, storage, treatment, handling, transportation, release, or disposal of any hazardous substances (including, but not limited to, PCBs and/or lead), pollutants, or contaminants found at, taken to, or taken from the Site.

46. In any subsequent administrative or judicial proceeding (including, but not limited to, any subsequent consent decrees lodged with this Court) for injunctive relief, recovery of response costs, or other appropriate relief relating to the Site, Defendants shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by the United States in the subsequent proceeding were or should have been brought in the instant case.

47. Defendants shall bear their own costs and attorneys' fees.

#### XV. AGREEMENT NOT TO CHALLENGE NPL LISTING

48. Defendants agree not to challenge, either directly or indirectly, through an officer, employee, or corporate affiliate, any listing or proposed listing of the Site on the NPL, if EPA has determined that Defendants are in "noncompliance" because Defendants: 1) have ceased implementation of any portion of the RI/FS Work, NTC Removal Work, or Removal Order Work; 2) are seriously or repeatedly deficient or late in their performance of the RI/FS Work, NTC Removal Work, or Removal Order Work; 3) are implementing the RI/FS Work, NTC Removal Work, or Removal Order Work in a manner which may cause an endangerment to human health or the environment; or 4) are otherwise substantially out of compliance with this Consent Decree or any of its appendices.

49. If EPA proposes the Site for listing on the NPL without first making a determination of noncompliance pursuant to the preceding Paragraph, then Defendants reserve all rights, except as provided in Paragraph 53, that they may have to challenge the listing or proposed listing of the Site on the NPL.

50. If EPA makes a determination of noncompliance pursuant to Paragraph 48, then EPA shall notify Defendants of such determination in writing. EPA's written determination shall be final and unreviewable, unless Defendants invoke dispute resolution by sending EPA a Notice of Dispute pursuant to Paragraph 23 within 14 days from the date Defendants receive EPA's written determination.

51. If Defendants invoke dispute resolution pursuant to the preceding Paragraph, the dispute resolution regarding EPA's written determination shall be governed by Section VIII. The dispute shall be limited solely to whether pursuant to Paragraphs 48 and 49, Defendants have waived their right to challenge the listing or proposed listing of the Site. Dispute resolution pursuant to this Section shall not have any effect on the Defendants' obligations pursuant to the RI/FS Agreement, the NTC Removal Agreement, or the Removal Order.

52. Except as provided in the following Paragraph, the agreement by Defendants contained in this Section shall terminate upon EPA's approval of the certification of completion submitted pursuant to Paragraph 87 of the RI/FS Agreement.

53. Notwithstanding Paragraphs 48-52, Defendants agree not to challenge, based upon changed Site conditions that result from the NTC Removal Agreement or Removal Order, any listing or proposed listing of the Site on the NPL at anytime after the Effective Date of this Consent Decree.

**XVI. EFFECTIVE DATE, SUBSEQUENT MODIFICATION, AND RETENTION OF JURISDICTION**

54. The Effective Date of this Consent Decree shall be the date upon which this Consent Decree is entered by the Court, except as otherwise provided herein.

55. Schedules specified in the attached RI/FS Agreement, NTC Removal Agreement, and Removal Order for completion of the RI/FS Work, NTC Removal Work and Removal Order Work may be modified by agreement of EPA and the Defendants. All such modifications shall be made in writing.

56. No material modifications shall be made to the SOW without written notification to and written approval of the United States, Defendants, and the Court, if such modifications fundamentally alter the basic features of the RI/FS Work. Modifications to the SOW that do not materially alter the basic features of the RI/FS Work may be made by written agreement between EPA and the Defendants.

57. No informal advice, guidance, suggestions, or comments by EPA regarding reports, plans, specifications, schedules, and any other writing submitted by the Defendants will be construed as relieving the Defendants of their obligation to obtain such formal approval as may be required by the attached RI/FS Agreement, NTC Removal Agreement, or Removal Order. Any deliverables, plans, technical memoranda, reports (other than progress reports), specifications, schedules and attachments required by the attached RI/FS Agreement, NTC Removal Agreement, or Removal Order are, upon approval by EPA, incorporated into this Consent Decree.

58. This Court retains jurisdiction over both the subject matter of this Consent Decree and the Defendants to effectuate or enforce compliance with its terms. However, nothing in this Consent Decree, nor the complaint filed with it, shall provide this Court jurisdiction pursuant to 42 U.S.C. § 9613(h) to review any challenges to any removal or remedial action selected under 42 U.S.C. § 9604, including, but not limited to the remedy selected in the ROD, or to review any order issued under 42 U.S.C. § 9606(a), including, but not limited to, the RI/FS Agreement, the Removal Order, or the NTC Removal Agreement.

**XVII. APPENDICES**

59. The following appendices are attached to and incorporated into this Consent Decree:

"Appendix A" is the RI/FS Agreement.

"Appendix B" is the SOW.

"Appendix C" is the Removal Order.

"Appendix D" is Figure 1.

"Appendix E" is the CAG Information.

"Appendix F" is Table 1 of the RI/FS Agreement.

"Appendix G" is the NTC Removal Agreement.

"Appendix H" is the Streamlined Risk Evaluation (SRE) for the NTC Removal Agreement.

#### XVIII. LODGING AND OPPORTUNITY FOR PUBLIC COMMENT

60. The United States lodged a Consent Decree with the Court in March of 2002 and put it out for public comment for 60 days. The United States received over 370 comments totaling approximately 1,000 pages. The United States will provide all of the public's comments and the United States response to them with its Motion to Enter to the Consent Decree.

61. Defendants consent to the entry of this Consent Decree without further notice. If for any reason the Court should decline to approve this Consent Decree in the form presented, this agreement is voidable at the sole discretion of any Party and the terms of the agreement may not be used as evidence in any litigation between the Parties. However, the Removal Order shall remain in affect as a stand alone agreement if the Court declines to approve this Consent Decree.

#### XIX. SIGNATORIES/SERVICE

62. Each undersigned representative of a Defendant to this Consent Decree and the Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind such Party to this document.

63. Defendants hereby agree not to oppose entry of this Consent Decree by this Court or to challenge any provision of this Consent Decree unless the United States has notified the Defendants in writing that it no longer supports entry of the Consent Decree.

64. Each Defendant shall identify, on the attached signature page, the name, address and telephone number of an agent who is authorized to accept service of process by mail on behalf of that Party with respect to all matters arising under or relating to this Consent Decree. Each Defendant hereby agrees to accept service in that manner and to waive the formal service requirements set forth in Rule 4 of the Federal Rules of Civil Procedure and any applicable local rules of this Court, including, but not limited to, service of a summons.

#### XX. FINAL JUDGMENT

65. This Consent Decree and its appendices constitute the final, complete, and exclusive agreement and understanding among the parties with respect to the settlement embodied in the Consent Decree. The parties acknowledge that there are no representations, agreements or understandings relating to the settlement other than those expressly contained in this Consent Decree.

66. Upon approval and entry of this Consent Decree by the Court, this Consent Decree shall constitute a final judgment with respect to a portion of the claims between and among the United States and the Defendants. The Court finds that there is no just reason for delay and therefore enters this judgment as a final judgment under Fed. R. Civ. P. 54 and 58.



SO ORDERED THIS \_\_ DAY OF \_\_\_\_, 20\_\_.

---

United States District Judge

THE UNDERSIGNED PARTY enters into this Consent Decree in the matter of United States v. Pharmacia Corporation and Solutia Inc., relating to the Anniston PCB Superfund Site.

FOR THE UNITED STATES OF AMERICA

10/22/02

Date

Kelly A. Johnson

Kelly Johnson

Acting Assistant Attorney General

Environment and Natural Resources Division

U.S. Department of Justice

P.O. Box 7611

Washington, D.C., 20044

10/15/02

Date

William Weinischke

William Weinischke

Senior Attorney

Environmental Enforcement Section

Environment and Natural Resources Division

U.S. Department of Justice

P.O. Box 7611

Washington, D.C. 20044-7611

(no signature required)

Alice H. Martin

United States Attorney

Northern District of Alabama

U.S. Department of Justice

1801 Fourth Avenue North

Birmingham, AL 35203

THE UNDERSIGNED PARTY enters into this Consent Decree in the matter of United States v. Pharmacia Corporation and Solutia Inc., relating to the Anniston PCB Superfund Site.

10/11/02  
Date

Winston A. Smith  
Winston A. Smith, Director  
Waste Management Division  
U.S. Environmental Protection Agency  
61 Forsyth Street, S.W.  
Atlanta, Georgia 30303-8960

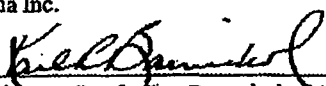
10/11/02  
Date

Dustin Minor  
Dustin Minor  
Associate Regional Counsel  
U.S. Environmental Protection Agency  
Region 4  
Atlanta Federal Center  
61 Forsyth Street, S.W.  
Atlanta, GA 30303-8960

THE UNDERSIGNED PARTY enters into this Consent Decree in the matter of United States v. Pharmacia Corporation and Solutia Inc., relating to the Anniston PCB Superfund Site.

FOR Solutia Inc.

October 16, 2002  
Date

Signature:   
Name (print): Karl R. Barnickol  
Title: Senior Vice President, General Counsel and Secretary  
Address: 575 Maryville Centre Drive  
St. Louis, MO 63141

Agent Authorized to Accept Service on Behalf of Above-signed Party:

Name (print): Allan J. Topol  
Title: Partner  
Address: Covington & Burling  
1201 Pennsylvania Ave., N.W.  
Washington, D.C. 20004  
Ph. Number: 202-662-5402



THE UNDERSIGNED PARTY enters into this Consent Decree in the matter of United States v. Pharmacia Corporation and Solutia Inc., relating to the Armiston PCB Superfund Site.

FOR Pharmacia Corporation

October 16, 2002

Date

Signature: Richard T. Collier

Name (print): Richard T. Collier

Title: Senior Vice President & General Counsel

Address: Pharmacia Corporation

1135 Route 206 North

Peapack, NJ 07977

Agent Authorized to Accept Service on Behalf of Above-signed Party:

Name (print): Allan J. Topol

Title: Partner

Address: Covington & Burling

1201 Pennsylvania Ave., N.W.

Washington, D.C. 20004

Ph. Number: 202-662-5402

**EXHIBIT C  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA  
SOUTHERN DIVISION**

<b>ANTONIA TOLBERT, et al.,</b>	)	
	)	
<b>Plaintiffs,</b>	)	
	)	<b>Civil Action No. 01-C-1407-S</b>
<b>v.</b>	)	
	)	
<b>MONSANTO COMPANY, et al.,</b>	)	
	)	
<b>Defendants.</b>	)	

**IN THE CIRCUIT COURT  
ETOWAH COUNTY, ALABAMA**

<b>SABRINA ABERNATHY, et al.,</b>	)	
	)	
<b>Plaintiffs,</b>	)	
	)	<b>Civil Action No. CV-01-832</b>
	)	<b>(Etowah County)</b>
	)	<b>and related and consolidated cases</b>
<b>v.</b>	)	
	)	
<b>MONSANTO COMPANY, et al.,</b>	)	
	)	
<b>Defendants.</b>	)	

**GLOBAL SETTLEMENT AGREEMENT**

On August 20, 2003, the parties in the above referenced matters appeared before the Honorable U.W. Clemon, Chief Judge, United States District Court, Northern District of Alabama, and the Honorable R. Joel Laird, Jr., Presiding Judge, Circuit Court of Calhoun County, Alabama, and announced a global settlement of approximately 21,000 filed and unfilled claims against Pharmacia Corporation, Solutia Inc., and Monsanto Company. The overall intent of the "Settling Parties" (Solutia Inc., Pharmacia Corporation, and Monsanto Company) was to

obtain a comprehensive and final global resolution of the pending litigation associated with the manufacture of PCBs at Anniston, Alabama. This litigation is exemplified by the Abernathy and Tolbert lawsuits, which include approximately 21,000 total plaintiffs (including plaintiffs for whom the Tolbert parties reached a tolling agreement) comprised of property owners, residents and nonresidents of Anniston, Alabama. The Settling Parties have offered a comprehensive global settlement and unified cleanup and community benefit remedy to resolve the disputes pending before the respective federal and state courts.

Under the direction and oversight of the United States District Court for the Northern District of Alabama and the Circuit Court for Calhoun County, Alabama, assisted by a settlement mediator, the parties have structured and allocated this overall global settlement offer to resolve the pending litigation in the respective federal and state courts on a comprehensive and global basis. Counsel in the Tolbert and Abernathy matters have included and sought to resolve all claims and potential claims represented by their respective law offices with respect to the Anniston litigation. It is understood and agreed that this global settlement of Anniston-related litigation is interdependent upon the reasonably concurrent signing of settlement documents provided to resolve all Abernathy and Tolbert claims.

A copy of the Settlement Agreement for the Abernathy and related cases is attached hereto as Exhibit A. A copy of the Settlement Agreement for the Tolbert and related cases and unfilled claims is attached hereto as Exhibit B. Those agreements are incorporated herein.

The Settling Parties and counsel for plaintiffs and the respective Courts placed on the record an agreement in principle to complete a global settlement on August 20, 2003. At that time, the settlement was a conditional settlement.


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The Settling Parties and counsel for plaintiffs have now completed the task of setting forth the various undertakings and obligations in separate settlement agreements in order to effectuate the agreed upon global settlement. While there are different elements included within each settlement agreement based upon various distinctions and differences among the plaintiffs and the nature and extent of their claims, counsel for plaintiffs acknowledge and agree that the settlement of the federal lawsuits was conditioned upon the reasonably concurrent signing of settlement agreements for the state lawsuits and vice versa. Counsel for plaintiffs further acknowledge and agree that while the settlement includes the payment of Six Hundred Million Dollars (\$600,000,000.00) in cash, not all of such funds will be paid directly to named plaintiffs under the terms of each of the attached settlement agreements. The parties further agree and acknowledge that the overall benefits of the settlement will inure not only to the plaintiffs but also to non-plaintiff residents of Anniston and surrounding areas, the various local and county governments and the State of Alabama. The parties further agree that the overall value of this global settlement to the various stakeholders exceeds the costs associated with the implementation of the global settlement.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS GLOBAL SETTLEMENT AGREEMENT AND THE ATTACHED SETTLEMENT AGREEMENTS TO BE EXECUTED ON THIS THE 9<sup>th</sup> DAY OF SEPTEMBER 2003.

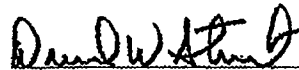
  
Joseph L. Beasley  
Counsel for Plaintiffs  
in Tolbert matter

OF COUNSEL:

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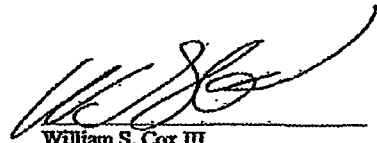
Donald W. Stewart  
Counsel for Plaintiffs  
in Abernathy and related matters

OF COUNSEL:

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George P. Ford  
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Atlanta, GA 30309  
(404) 962-1000

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ALABAMA  
SOUTHERN DIVISION

ANTONIA TOLBERT, et al.,	)	
	)	
Plaintiffs,	)	
	)	
vs.	)	CIVIL ACTION NO. CV-01-C-1407-S
	)	
MONSANTO COMPANY,	)	
PHARMACIA, INC. and	)	
SOLUTIA, INC.,	)	
	)	
Defendants.	)	

**SETTLEMENT AGREEMENT**

THIS SETTLEMENT AGREEMENT is entered into by, between and among the aggregated plaintiffs as defined below (collectively "Plaintiffs"), by and through their counsel of record, in the matters styled Tolbert, et al. v. Monsanto Company, et al., Civil Action No. CV-01-C-1407-S, United States District Court, Northern District of Alabama and Oliver v. Monsanto Company, et al., Civil Action No. 02-C-836-S, United States District Court, Northern District of Alabama, and Solutia Inc., Pharmacia Corporation (formerly known as Monsanto Company), and Monsanto Company, collectively referred to herein as the Defendants. This Settlement Agreement is being entered into concurrently with a Global Settlement Agreement between the parties to this Settlement Agreement and the parties to a Settlement Agreement in the matter styled Abernathy, et al. v. Monsanto Company, et al., Civil Action No. 01-832, Circuit Court, Etowah County, Alabama and other cases described in that Settlement Agreement. The parties agree that the agreements and obligations set forth and described in this Settlement Agreement are conditional and contingent upon the concurrent settlement of Abernathy and other actions

and claims included within the Global Settlement Agreement. The purpose of this Settlement Agreement is to effectuate the Global Settlement Agreement that is incorporated herein.

1. As used in this Agreement, the term "Plaintiffs" means all persons named as plaintiffs in any complaint or amended complaint filed in these actions to date, together with any person not so named but subject to the tolling agreement between the parties. All persons subject to such tolling agreement shall be identified in an amended complaint specifically naming each person subject to the tolling agreement as an additionally named plaintiff within thirty (30) days after entry of the Final Judgment and Order. Plaintiffs may also dismiss certain plaintiffs or specified claims of certain plaintiffs, with the written agreement of Defendants, and by order of the Court.
2. The Defendants have agreed to pay the total sum of Three Hundred Million Dollars (\$300,000,000.00) in accordance with the proposed Final Judgment and Order attached hereto as Exhibit A and incorporated herein. As of August 28, 2003, the sum of seventy-five million dollars (\$75,000,000.00) was transferred to the Tolbert QSF pursuant to the Order Regarding Good Faith Settlement Payment, entered August 27, 2003. Two Hundred Million Dollars (\$200,000,000.00), plus interest, shall be deposited by wire transfer to the Tolbert QSF in accordance with the Final Judgment and Order as follows: the sum of one hundred and eighty million dollars (\$180,000,000.00), plus interest thereon, to AmSouth

Bank, Wealth Management Operations Department, ABA #: 052000619,  
Account #: 0017541387, For Further Credit to Tolbert Qualified  
Settlement Fund, Account #: 1060001574. Attn. Laura Wainwright and  
the sum of twenty million dollars (\$20,000,000.00), plus interest thereon,  
to Sterling Bank, Scott McCall, Tolbert QSF, Account Number 01414348,  
Routing Number 061100606. Beginning on August 26, 2004 and  
continuing on each August 26 up to and including August 26, 2013, the  
Defendants shall wire transfer the sum of two million, five hundred  
thousand dollars (\$2,500,000.00) to an account other than an account held  
by the Tolbert QSF to be agreed to by the parties and approved by the  
Court and to be used to fund the medical clinic to be established in west  
Anniston in accordance with this Settlement Agreement and the Final  
Judgment and Order.

3. Attorneys' fees shall be paid by the Tolbert QSF in accordance with  
paragraph 4 of the Final Judgment and Order. The parties agree that the  
term "final" in paragraph 4 of the Final Judgment and Order means that  
the Final Judgment and Order has been entered by the Court, and (i) if no  
appeal has been taken from the Final Judgment and Order, that the time to  
appeal therefrom under the Federal Rules of Appellate Procedure has  
expired; or (ii) if any appeal has been taken from the Final Judgment and  
Order, that all appeals therefrom, including petitions for certiorari or any  
other form of review have been finally disposed of in a manner that  
affirms the Final Judgment and Order as to the judgment amount of Three

Hundred Million Dollars (\$300,000,000.00) referenced in paragraph 2 of the Final Judgment and Order, and that the time for any further appeal, rehearing or review has expired; provided, however, that if no appeal taken from the Final Judgment and Order seeks review of the judgment amount of Three Hundred Million Dollars (\$300,000,000.00), Plaintiffs, through counsel, may immediately petition the District Court, through that Court's retained jurisdiction over this Settlement Agreement and the Final Judgment and Order, for an order directing and approving payment of attorneys' fees from the Tolbert QSF before disposition of the appeal(s).

4. The other funds in the Tolbert QSF shall be distributed by the Settlement Administrator pursuant to paragraph 7 of the Final Judgment and Order.
5. Any checks made payable directly to any plaintiff or authorized plaintiff representative shall contain release language as follows:

By endorsing this check, and after being informed fully by my lawyer, I hereby release, for myself and my heirs and representatives, all claims against Monsanto Company, Solutia Inc., and Pharmacia Corporation and their affiliates to the full extent permitted under federal or state law pursuant to the Settlement Agreement and Final Judgment and Order in Tolbert, et al. v. Monsanto Company, et al., Case No. CV-01-1407-S, United States District Court, Northern District of Alabama. In addition, I hereby release, for myself and my heirs and representatives, all claims against the Tolbert Qualified Settlement Fund, the Settlement Administrator of that Qualified Settlement Fund, and my lawyer(s) and their affiliates to the full extent permitted under federal or state law.

The parties to this agreement hereby agree and acknowledge that the creation of the Tolbert QSF (and the funding thereof) and other good and valuable consideration, the receipt of which is acknowledged, this Agreement and the Final Judgment and Order extinguish all claims of plaintiffs to the full extent permitted by state or federal law against Pharmacia Corporation, Monsanto Company, Solutia Inc., and their



related and affiliated companies, including Pfizer Inc., and their officers, directors, stockholders, attorneys, agents, servants, representatives, employees, contractors, distributors, dealers, subsidiaries, affiliates, and insurance companies and who are hereby completely released and forever discharged (referred to herein as the "Released Parties"). The Released Parties are hereinafter released and relieved from any and all legal or equitable claims, whether currently known or unknown, which any plaintiff now has or may have in the future resulting from any matter, thing, or event occurring or failing to occur at any time in the past up to and including the date hereof, and more particularly, but without in any way limiting the generality of the foregoing, any and all legal or equitable claims, which any plaintiff has arising from or related to contamination of property or person from or exposure of property or person to PCBs manufactured or handled by, disposed of, under the control of, or emanating from property owned or controlled, either in the past, present, or future, by one or more of the Released Parties and any and all legal or equitable claims, whether known or unknown, which he or she now has or may have in the future resulting or arising from any act or omission of any of the Released Parties related to the operations and activities at the plant that has been operated and currently is operated by one or more of the Released Parties in Anniston, Alabama, and more particularly, but without in any way limiting the generality of the foregoing, any claims that were or could have been asserted by him or her in the action in the United

States District Court for the Northern District of Alabama styled Tolbert v. Monsanto Co., Civil Action No. CV-01-C-1407-S and any and all legal or equitable claims that were or could have been brought by or on behalf of any plaintiff against one or more of the Released Parties.

6. The costs, including the fees and expenses, of the Settlement Administrator shall be paid in accordance with the terms and conditions of the Final Judgment and Order and the order appointing the Settlement Administrator.
7. Payments to minor plaintiffs shall be determined by the Settlement Administrator consistent with the Final Judgment and Order, subject to further approval by the Court.
8. The annual payments required to be paid pursuant to paragraph 2 of this Settlement Agreement shall be used solely to operate the health clinic to be established pursuant to the Final Judgment and Order.
9. It is specifically acknowledged and agreed that the obligations of Defendants under this Agreement are conditioned upon the concurrent entry of the Global Settlement Agreement and the Settlement Agreement in the Abernathy related matters.
10. The parties make no representations or warranties of any kind to each other except as specifically set out in the Global Settlement Agreement, this Settlement Agreement, and the Abernathy Settlement Agreement, and on the record before the Honorable U. W. Clemon and the Honorable R. Joel Laird, Jr. on August 20, 2003 (including the Proposed Order of that

date). The transcript of the hearing on August 20, 2003, the Pfizer Inc. letter to Solutia general counsel Jeff Quinn dated August 20, 2003, and the Proposed Order of August 20, 2003 are attached hereto as composite Exhibit B.

11. The Global Settlement Agreement, this Settlement Agreement, the Final Judgment and Order, and the representations made on the record on August 20, 2003 (including the Proposed Order of that date), before the Honorable U. W. Clemon and the Honorable R. Joel Laird, Jr. contain the sole and entire agreement between the parties with respect to the settlement of the Plaintiffs' claims.
12. Neither the Global Settlement Agreement nor this Settlement Agreement shall be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto and approved by the Court.
13. It is expressly acknowledged by Plaintiffs that the Defendants deny any liability or wrongdoing whatsoever, and that Monsanto Company specifically reserves its argument that it is not a proper party to this matter and that Monsanto Company's participation in this Agreement is without prejudice to its arguments regarding its status as a party defendant.
14. The Global Settlement Agreement, this Settlement Agreement, and the Final Judgment and Order shall be governed by, construed, interpreted and enforced in accordance with the laws of the State of Alabama. All issues relating to the Global Settlement Agreement, this Settlement Agreement, and the Final Judgment and Order or any related agreement shall be

presented to the Honorable U. W. Clemon, United States District Court, Northern District of Alabama, for resolution.

15. Plaintiffs, by and through their counsel of record, represent and warrant that Plaintiffs' Counsel have authority to enter into the Global Settlement Agreement and this Settlement Agreement and to consent to the entry of the Final Judgment and Order. The Defendants, by and through their counsel, represent and warrant that Defendants' Counsel have express authority, pursuant to their respective Articles of Incorporation, By-Laws, Board of Directors' resolutions, or other governing corporate policy or procedure, to enter into the Global Settlement Agreement and this Settlement Agreement, and to consent to the entry of the Final Judgment and Order on behalf of the Defendants.
16. The Global Settlement Agreement, this Settlement Agreement, and the Final Judgment and Order shall apply to, be binding upon, and inure to the benefit of all of the Plaintiffs (as defined in paragraph 11 of the Final Judgment and Order) and the Defendants, as well as their respective heirs, affiliates, related entities, legal representatives, successors in interest and assigns.
17. This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise a single instrument.

Dated: Sept 9, 2003

  
Attorneys for Plaintiffs

Dated: Sept 9, 2003

  
Attorneys for Monsanto Company

Dated: Sept 9, 2003

  
Attorneys for Solutia Inc.

Dated: Sept 9, 2003

  
Attorneys for Pharmacia Corporation

IN THE CIRCUIT COURT OF ETOWAH COUNTY, ALABAMA

SABRINA ABERNATHY, ET AL.,	)	
	)	
Plaintiffs,	)	
	)	
	)	Civil Action No. CV-01-832
	)	
MONSANTO COMPANY, ET AL.,	)	
	)	
Defendants.	)	

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is entered into by, between and among the aggregated plaintiffs and each and every individual plaintiff, by and through their counsel of record, in the matters styled Abernathy, et al. v. Monsanto Company, et al., Civil Action No. CV-01-832, Circuit Court of Etowah County, Alabama (which is a consolidated action composed of matters styled Abernathy, et al. v. Monsanto Company, et al., Civil Action No. CV-96-269, Abbott, et al. v. Monsanto Company, et al., Civil Action No. CV-97-967, Nelson, et al. v. Monsanto Company, et al., Civil Action No. CV- 99-502, Long v. Monsanto Company, et al., Civil Action No. CV-96-268), Margie Snuggs, et al. v. Monsanto Company, et al., Civil Action No. CV-01-0874, Circuit Court of Calhoun County, Alabama)), and Brown v. Monsanto Company, et al., Civil Action No. 97-ETC-1618-B, United States District Court, Northern District of Alabama, and amici curiae and each individual amicus curiae in United States v. Pharmacia Corporation, et al., Civil Action No. 02-C-07409-B, United States District Court, Northern District of Alabama (collectively referred to herein as "plaintiffs"), and Solutia Inc. ("Solutia"), Pharmacia Corporation, formerly known as Monsanto Company ("Pharmacia"), and new Monsanto Company ("Monsanto") (collectively referred to herein as the "Interested Parties").

This Settlement Agreement is being entered into concurrently with a Global Settlement Agreement among the parties to this Settlement Agreement and the parties to a Settlement Agreement in the matter styled Tolbert, et al. v. Monsanto Company, et al., Civil Action No. CV-01-C-1407-S, and other cases described in that Settlement Agreement for the Tolbert matter and its related actions and claims ("Tolbert Settlement Agreement"). The parties agree that the agreements and obligations set forth and described in this Settlement Agreement are conditional and contingent upon the parties to the Tolbert settlement signing the Tolbert Settlement Agreement and the entry of an Order and Judgment by the Honorable U. W. Clemon approving the Global Settlement Agreement and the Tolbert Settlement Agreement. The purpose of this Settlement Agreement is to effectuate the Global Settlement Agreement which is incorporated herein.

1. The Interested Parties, jointly and severally, agree to pay the total sum of Three Hundred Million Dollars (\$300,000,000.00) into the various settlement funds to be established as set forth below. All monies due under this Settlement Agreement shall be deposited by wire transfer pursuant to the following schedule:

- a. On or before 5:00 p.m. CDT on August 26, 2003, the sum of Seventy-Five Million Dollars (\$75,000,000.00) shall be wire transferred to SouthTrust Bank to an interest bearing account of the Circuit Court of Calhoun County (the Honorable R. Joel Laird) (the "Court") as follows: State of Alabama, Ted Hooks, Clerk, CV-2001-374, Account Number 69530631, Routing Number 062000080 (the "Settlement Account");

- b. On or before 5:00 p.m. CDT on the seventh day (or the next business day thereafter if the seventh day falls on a Saturday or Sunday) following the execution and filing of this Settlement Agreement with the Court, the sum of Two Hundred Million Dollars (\$200,000,000.00) shall be wire transferred to the Settlement Account;
- c. On or before 5:00 p.m. CDT on August 26, 2004, and on each August 26 of each year thereafter (or the next business day thereafter if August 26 falls on a Saturday or Sunday) up to and including August 26, 2013, the sum of Two Million, Five Hundred Thousand Dollars (\$2,500,000.00) shall be wire transferred in accordance with paragraph 3.h. of this Settlement Agreement.

2. The funds described in paragraph 1 above shall not be distributed from the Settlement Account in accordance with the provisions of this Settlement Agreement until all the following conditions have been met:

- a. the Court has entered an order approving this Settlement Agreement in substantially the form set forth in Exhibit A;
- b. the Court has approved the settlement of the claims of the plaintiffs who are minors as set forth below;
- c. Plaintiffs' counsel notifies the Court and counsel of record for the Interested Parties that the Relocation/Property Adjustment Fund account and the corporation, foundation, trust, or other entity described in



paragraph 3.d. have been established or selected.

3. The funds in the Settlement Account shall be distributed as follows once all conditions of paragraph 2 are satisfied:

- a. Each plaintiff who is an adult, a representative of the estate of a deceased plaintiff (including any administrator ad litem appointed by the Court), or is a church, business or other entity (hereinafter collectively referred to as the "adult plaintiffs"), as a condition of receiving any payment to or on behalf of such plaintiff from any of the separately available funds established under this paragraph 3, shall be required to sign a general release of all claims in the form of the release document attached hereto as Exhibit B (the "Release"). The term "Released Parties," as used in this Settlement Agreement, shall mean all persons and entities defined as "Released Parties" in the Release, including without limitation, the Interested Parties and their past, present and future affiliates, and their respective officers, directors, employers and agents.
- b. Within ninety days after the signing of this Settlement Agreement (which period will be extended for 30 days upon request of plaintiffs' counsel (and thereafter upon mutual agreement of the parties hereto)) (such 90-day period, together with any extensions, being hereinafter referred to as the "Release Period"), plaintiffs' counsel shall use diligent efforts to secure signed Releases from the adult plaintiffs, which Releases plaintiffs'

counsel shall hold in escrow. Plaintiffs' counsel shall also use diligent efforts during the Release Period to obtain Court approval of the settlement of the claims of the plaintiffs who are minors. Plaintiffs' counsel may, prior to the end of such 90-day period, together with any extensions, notify the Court and the Interested Parties that they have completed such diligent efforts. If such notice is given, the Release Period shall end on the date of such notice.

- c. When plaintiffs' counsel have obtained signed Releases from at least 75% of the adult plaintiffs, plaintiffs' counsel shall so certify to the Court and the Interested Parties. Immediately upon such certification, all funds in the Settlement Account, including any interest accrued during the time such money was on deposit in the Settlement Account, shall be wire transferred to an interest bearing plaintiffs' attorneys' escrow account ("Escrow Account") designated by plaintiffs' counsel and approved by the Court.

After plaintiffs' counsel have obtained court approval of the settlement of the claims of the plaintiffs who are minors and plaintiffs' counsel have obtained signed Releases from the adult plaintiffs and those minor and adult plaintiffs (counting each estate represented by any court-appointed administrator ad litem separately) total at least 97% of the plaintiffs on the Plaintiff List described in paragraph 7, plaintiffs' counsel shall so certify to the Court and the Interested Parties and shall release such signed

Releases from escrow and shall deliver such signed Releases to the Interested Parties. The Interested Parties shall have three business days from the receipt of the Releases to verify the number, content and execution of the Releases, to verify the number of minor plaintiffs whose claims have been settled through the Court approval process, and to raise any issues relating to the Releases or the minors' settlement with plaintiffs' counsel. Any dispute relating to the Releases or to the count of the Releases or the minors whose claims have been settled by Court approval shall be resolved by the Court.

At the end of this three-day verification period or following the resolution by the Court of any disputes brought to the Court under this subparagraph, if plaintiffs' counsel have obtained signed Releases from the adult plaintiffs and court approval of the claims of the minor plaintiffs that total at least 97% of the plaintiffs on the Plaintiff List, plaintiffs' counsel shall distribute the funds in the Escrow Account as set forth in paragraphs 3.d. through 3.h. The Releases and the Court approval of the settlement of the claims of minors shall not be enforceable until such distribution of funds commences.

- d. **Seventy-Five Million Dollars (\$75,000,000.00)**, plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid directly from the Escrow Account to plaintiffs' counsel and to plaintiffs as follows:

- i. **Thirty Million Dollars (\$30,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid to plaintiffs' counsel for attorneys' fees.**
  - ii. **The remaining Forty-Five Million Dollars (\$45,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid from the Escrow Account to pay the claims of each settling plaintiff**
- e. **Fifteen Million Dollars (\$15,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid directly to plaintiffs' counsel, such amount being assessed as costs in the above referenced matter.**
- f. **One Hundred and Fifty Million Dollars (\$150,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid directly from the Escrow Account to plaintiffs' counsel and to a fund or funds established by plaintiffs' counsel for relocation/property adjustment payments to plaintiffs as follows:**
  - i. **Sixty Million Dollars (\$60,000,000.00), plus any interest accrued**

on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid to plaintiffs' counsel for attorneys' fees;

- ii. The remaining Ninety Million Dollars (\$90,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid to a Relocation/ Property Adjustment Fund Account or Accounts designated by plaintiffs' counsel for payments for the benefit of the approximately 920 plaintiff property owners and other plaintiff residents for property relocation/adjustment. The Relocation/Property Adjustment Fund shall be used for the payment of monies for the benefit of plaintiff property owners and/or plaintiff residents in accordance with a matrix to be developed by plaintiffs' counsel in their sole discretion. Such matrix will consider such factors as, among other things, jury verdicts, proximity to the Anniston facility and drainage pathways or waterways, including Snow Creek and Choccolocco Creek, sampling results, fair market value of property, size of property, and use of property.

- g. Thirty-Five Million Dollars (\$35,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid directly from the Escrow

Account to plaintiffs' counsel and to a corporation, foundation, trust or other appropriate entity designated by plaintiffs' counsel as follows:

- i. Fourteen Million Dollars (\$14,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be paid to plaintiffs' counsel for attorneys' fees;
- ii. Twenty-One Million Dollars (\$21,000,000.00), plus any interest accrued on such amount during the time such money was on deposit in the Settlement Account and the Escrow Account, shall be used by the corporation, foundation, trust or other appropriate entity for the following general purposes, and the corporation, foundation, trust or other entity will have the authority to expend funds for such purposes, but will not be required to perform every such purpose:
  - (1) To provide primary health care and/or to assist in gaining access to primary health care and other health care services (including but not limited to lab, dental, outreach, prenatal care, radiology, case management, pharmacy, preventive medicine, holistic medicine and other health care programs) by making grants or payments for the actual benefit of persons meeting the criteria of the corporation, foundation,

trust or other entity;

- (2) To provide educational grants, scholarships or loans to persons meeting the criteria of the corporation, foundation, trust or other entity for purposes including but not limited to those described in subparagraph (5) below;
- (3) To provide health education and instruction to or on behalf of persons meeting the criteria of the corporation, foundation, trust or other entity;
- (4) To provide such other programs or payments relating to health, education and community welfare that would benefit such persons meeting the criteria of the corporation, foundation, trust or other entity; and
- (5) To create an educational trust fund to endow scholarships, grants or loans for purposes including but not limited to the evaluation of and development of personal education plans, pre-kindergarten program participation, after-school program participation, tutoring, participation in remedial programs or individual enrichment programs, computer training programs, SAT/ACT or other examination preparation programs, and participation in technical training, vocational, GED, college or adult educational

programs.

h. The annual payments of Two Million, Five Hundred Thousand Dollars (\$2,500,000.00) shall be paid directly from the Interested Parties to plaintiffs' counsel and to the corporation, foundation, trust or other appropriate entity designated by plaintiffs' counsel pursuant to paragraph 3.g. as follows:

- i. One Million Dollars (\$1,000,000.00) shall be paid to plaintiffs' counsel for attorneys' fees;
- ii. One Million Five Hundred Thousand Dollars (\$1,500,000.00) shall be paid to the corporation, foundation, trust or other appropriate entity established or selected in accordance with paragraph 3.g. hereof for the purposes outlined in paragraph 3.g. hereof.

4. Within seven (7) days of the signing of this Settlement Agreement, plaintiffs' counsel shall deliver to the Court and to the Interested Parties a list ("Plaintiff List") of the names of all plaintiffs, with a designation of which plaintiffs are minors, who are subject to the Release provisions or Court approval of the claims of minors under this Settlement Agreement. The Plaintiff List shall not include (a) plaintiffs who died more than two years prior to the date of this Settlement Agreement and for whom Suggestions of Death have been on file for at least six months and for whom there has been no substitution as plaintiff, or (b) plaintiffs who, prior to and including August 31, 2003, have moved to withdraw from the actions included within this Settlement Agreement. Within seven days of delivery of the Plaintiff List, the Interested Parties



shall deliver to plaintiffs' counsel a list of any additions or changes to the Plaintiff List they may propose based in good faith on their records. Any disputes as to the Plaintiff List shall be resolved by the Court.

5. At the end of the Release Period, plaintiffs' counsel shall deliver to the Court and the Interested Parties a list of all adult plaintiffs, if any, who have not signed their respective Releases ("Unsigned Plaintiffs") and all minor plaintiffs who have not had their claims included within and resolved through the Court approval process ("Unresolved Minor Plaintiffs"), and the following provisions shall apply:

- a. If fewer than all of the adult plaintiffs have signed Releases and/or fewer than all of the minor plaintiffs have had their claims included within and resolved through court approval of the settlement of the minors' claims, the amounts to be distributed pursuant to paragraph 3 hereof shall be reduced by:
  - i. any payments that would otherwise be made to the Unsigned Plaintiffs and the Unresolved Minor Plaintiffs, if any, representing the net settlement proceeds from the fund established in paragraph 3.d.;
  - ii. any payments or grants that would otherwise be made to or for the benefit of the Unsigned Plaintiffs, if any, from the Property Relocation/Adjustment Fund established under paragraph 3.f.;
  - iii. any payments or grants that would otherwise be made to or for the

benefit of the Unsigned Plaintiffs and the Unresolved Minor Plaintiffs, if any, from the funds described in paragraphs 3.g. and h.

- b. If the adult plaintiffs who have signed Releases and the minor plaintiffs covered by the court approval of the minors' settlement total fewer than 97% of the plaintiffs on the Plaintiff List, then the Interested Parties, at their sole discretion and election, may, during the period thirty-one (31) to sixty (60) days after the end of the Release Period except as provided in paragraph c.iii. below, give written notice to plaintiffs' counsel that this Settlement Agreement is null and void. If the Interested Parties give such written notice, plaintiffs' counsel shall have sixty (60) days to return any and all monies provided for hereunder to the Interested Parties. In that event, the plaintiffs reserve their right to file a motion with the Court requesting that the jury trial in the Abernathy case be resumed from the point at which it was stayed. If the Interested Parties do not give such written notice, plaintiffs' counsel shall distribute the funds in the Escrow Account as set forth in this Settlement Agreement.
- c. Notwithstanding paragraphs 5.a. and 5.b. hereof, if the Court dismisses the claims of the Unsigned Plaintiffs and the Unresolved Minor Plaintiffs, if any, with prejudice, no later than thirty (30) days after the end of the Release Period, then:

- i. if the claims of all Unsigned Plaintiffs and the Unresolved Minor Plaintiffs are dismissed with prejudice and no notice of appeal from such dismissal is filed within forty-two (42) days ("Appeal Period") of such dismissal, this Settlement Agreement shall remain in full force and effect and there shall be no reduction in the amounts provided for in paragraph 3 hereof;
- ii. with respect to Unsigned Plaintiffs or Unresolved Minor Plaintiffs, if any, who file such notices of appeal within their respective Appeal Periods and Unsigned Plaintiffs and Unresolved Minor Plaintiffs, if any, whose claims are not so dismissed, the reduction provided for in 5.a. shall remain in effect, with respect to the amounts payable to such Unsigned Plaintiffs or Unresolved Minor Plaintiffs.
- iii. if the number of Unsigned Plaintiffs or Unresolved Minor Plaintiffs, if any, who file such notices of appeal within their respective Appeal Periods plus the number of Unsigned Plaintiffs and Unresolved Minor Plaintiffs, if any, whose claims are not so dismissed amount to more than 3% of the plaintiffs on the Plaintiff List, then the Interested Parties shall retain their right to cancel this Settlement Agreement under paragraph 5.b. hereof by written notice during the period thirty (30) days after the end of the last respective Appeal Period.

6. No payments may be made to or for the benefit of any minor plaintiffs from any of the separately available funds established under paragraph 3 hereof until the Court approves the settlement of the minors' claims. No payments may be made to minors from the Property Relocation/Adjustment Fund.

7. Within sixty (60) days after the end of the Release Period (or, if claims of Unsigned Plaintiffs or Unresolved Minor Plaintiffs are dismissed under paragraph 5.c. hereof, within sixty (60) days of the end of the Appeal Period), plaintiffs' counsel shall return to the Interested Parties from the Escrow Account the amounts, if any, by which the amounts to be distributed pursuant to paragraph 3 are reduced under the terms hereof on account of Unsigned Plaintiffs and Unresolved Minor Plaintiffs. Within thirty (30) days after the end of the Release Period, plaintiffs' counsel shall also provide the following reports to the Interested Parties:

- a. a report for each such Unsigned Plaintiff or Unresolved Minor Plaintiff of the amounts calculated for payments and/or grants to or for the benefit of that Plaintiff for the purposes of paragraphs 5.a.i., ii. and iii; and
- b. with respect to each Unsigned Plaintiff or Unresolved Minor Plaintiff, if any, who, despite plaintiffs' counsel's good faith efforts, cannot be located, a report of the good faith efforts to locate such plaintiff.

8. Any dispute regarding the amount of the monies, if any, to be returned to the Interested Parties pursuant to paragraphs 5 and 7 above shall be referred to Resolutions LLC for resolution, and the decision of Resolutions LLC shall be binding upon the parties to this Settlement Agreement.

9. Plaintiffs acknowledge that the remediation obligations of the Interested Parties and the obligations, if any, of their affiliates and other persons or entities designated in Exhibit B as "Released Parties" are governed by the Revised Partial Consent Decree entered August 4, 2003. Upon delivery of the Releases from the adult plaintiffs pursuant to paragraph 3.c. hereof, plaintiffs agree to withdraw as amici curiae in the matter styled United States of America v. Pharmacia Corporation, et al., Civil Action No. 02-C-0749-B, and to forego any right to appeal any decision of the United States District Court regarding the Revised Partial Consent Decree.

10. It is specifically acknowledged and agreed that the agreements and obligations of the Interested Parties under this Settlement Agreement are conditioned upon the concurrent execution of the Global Settlement Agreement and the execution of the Tolbert Settlement Agreement and entry of the Order and Judgment in Tolbert.

11. Upon delivery of the Releases from the adult plaintiffs pursuant to paragraph 3.c. hereof, and the Court's approval of the minors' settlement, the plaintiffs and the Interested Parties shall jointly file motions for dismissal with prejudice, along with proposed orders, to effectuate the dismissal of all released claims in the cases referenced in the first paragraph of the preamble to this Settlement Agreement other than United States v. Pharmacia Corporation, et al. The orders in the state court cases shall provide that the Honorable R. Joel Laird, Jr., Calhoun County Circuit Court, retains continuing jurisdiction in those cases for the purpose of enforcing this Settlement Agreement.

12. The parties make no representations or warranties of any kind to each other except as specifically set out in the Global Settlement Agreement and this Settlement Agreement

and on the record before the Honorable U. W. Clemon and the Honorable R. Joel Laird, Jr. on August 20, 2003.

13. The Global Settlement Agreement and this Settlement Agreement and the attached Exhibits supersede all prior discussions, negotiations and agreements between the parties with respect to the settlement of the litigation. The Global Settlement Agreement, this Settlement Agreement and the attached Exhibits, and the representations made on the record on August 20, 2003, before the Honorable U. W. Clemon and the Honorable R. Joel Laird, Jr. contain the sole and entire agreement between the parties with respect to the settlement of the plaintiffs' claims.

14. This Settlement Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto and approved by the Court. No such modification or amendment shall modify or amend any Release without the written consent of the affected released party or parties.

15. It is understood and agreed by plaintiffs that the Global Settlement Agreement and this Settlement Agreement are a complete resolution, settlement and compromise of disputed claims, and neither the Global Settlement Agreement, this Settlement Agreement, the consideration, nor any discussions regarding the Global Settlement Agreement and this Settlement Agreement shall constitute an admission of liability or wrongdoing on the part of the Released Parties. It is expressly acknowledged by plaintiffs that the Released Parties deny any liability or wrongdoing whatsoever.

16. The parties agree that upon payment to or on behalf of the plaintiffs of the

amounts (as they may be adjusted) set forth in paragraph 3d. through g. hereof and the agreement to pay the amounts set forth in paragraph 3.h. hereof, any liability for punitive damages or penalties against Pharmacia Corporation, Solutia Inc., Monsanto Company, or any of the Released Parties relating to the manufacture, use, release or disposal of polychlorinated biphenyls at or from the Anniston plant or Anniston property owned or controlled by the Released Parties is extinguished and that an assessment of punitive damages or penalties against Pharmacia Corporation, Solutia Inc., Monsanto Company, or any of the Released Parties relating to the manufacture, use, release or disposal of polychlorinated biphenyls at or from the Anniston plant or Anniston property owned or controlled by the Released Parties would not be warranted.

17. The Global Settlement Agreement and this Settlement Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of the State of Alabama.

18. Plaintiffs, by and through their counsel of record, represent and warrant that plaintiffs' counsel have express authority to enter into the Global Settlement Agreement and this Settlement Agreement. The Interested Parties, by and through their undersigned counsel, represent and warrant that their undersigned counsel have express authority, pursuant to their respective Articles of Incorporation, By-Laws, Board of Directors' resolutions, or other governing corporate policy or procedure, to enter into the Global Settlement Agreement and this Settlement Agreement on behalf of the Interested Parties.

19. The Global Settlement Agreement and this Settlement Agreement shall apply to, be binding upon, and inure to the benefit of all of the plaintiffs and the Released Parties as well

as their respective heirs, legal representatives, successors in interest and assigns. Nothing in this Settlement Agreement shall provide any rights to, or be enforceable by, any person or entity other than the plaintiffs and the Released Parties.

20. The parties to this Settlement Agreement and their counsel shall use best efforts to effectuate the terms and purposes of this Settlement Agreement.

21. All notices or other communications to any party to this Settlement Agreement shall be in writing (and shall include facsimile or similar writing) and shall be given to the respective parties hereto at the following addresses. Plaintiffs' counsel and the Interested Parties may change the name and address of the person(s) designated to receive notice on behalf of such party by notice given as provided in this paragraph.

Plaintiffs:

Donald W. Stewart, Esq.  
1131 Leighton Avenue  
P. O. Box 2274  
Anniston, Alabama 36202  
Facsimile: (256) 237-0713

Daniel R. Benson, Esq.  
Kasowitz, Benson, Torres & Friedman LLP  
1633 Broadway  
New York, New York 10019  
Facsimile: (212) 506-1800

Interested Parties:

William S. Cox, III, Esq.  
Lightfoot, Franklin & White, L.L.C.  
The Clark Building  
400 20<sup>th</sup> Street North  
Birmingham, AL 35203-3200



22. All obligations of the Interested Parties pursuant to this Settlement Agreement (including, but not limited to, all payment obligations) are intended to be, and shall remain, joint and several.

23. Except as otherwise provided in the Global Settlement Agreement or this Settlement Agreement, all parties shall bear their own expenses of litigation and attorneys' fees which have arisen or will arise in connection with the litigation referenced in the preamble to this Settlement Agreement, the Global Settlement Agreement, this Settlement Agreement, or any other matters or documents related thereto.

24. This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise a single instrument.

Dated: 9/9, 2003

  
Attorneys for Plaintiffs

Dated: 9/9, 2003

  
Attorneys for Monsanto Company

Dated: 9/9, 2003

  
Attorneys for Solutia Inc.

Dated: 9/9, 2003

  
Attorneys for Pharmacia Corporation

**EXHIBIT D  
TO MONSANTO SETTLEMENT  
AGREEMENT**

Pfizer Inc.  
235 East 42 Street (235/11/30)  
New York, NY 10017  
Tel 212 733 0922 Fax 212 885 1830  
Email robert.mallett@pfizer.com



August 20, 2003

Robert L. Mallett  
Senior Vice President  
Corporate Affairs

Jeff Quinn, General Counsel  
Solutia, Inc.  
575 Maryville Centre Drive  
St. Louis, Missouri 63141

Dear Mr. Quinn:

Pfizer proposes to undertake a series of programs and initiatives to address the health and well-being of low-income residents of Calhoun County as well as those in Birmingham and nearby communities. The specific proposals are:

1. Pfizer would include the University of Alabama at Birmingham Hospital ("UAB Hospital") in the Pfizer Hospital Partnership program. This program provides Pfizer medicines to uninsured, low-income patients at large public and nonprofit hospitals that serve disproportionate numbers of such patients. An estimated 40% of patients at UAB Hospital lack prescription coverage; as a result, these uninsured patients either pay out-of-pocket for their prescriptions, or the UAB system (and, in turn, the county or state) bears the cost of providing the medicine. Through the enrollment of the UAB Hospital in the Pfizer Hospital Partnership Program, Pfizer would provide its medicines for free to the hospital for patients who meet defined eligibility criteria. This would include many of Pfizer's leading medicines that treat conditions that are particularly prevalent among poor patients, such as high blood pressure (Norvasc), high cholesterol (Lipitor), diabetes (Glucotrol XL), and depression (Zoloft). Based upon preliminary demographic information, we estimate the annual value of this program to the hospital in terms of medicines to be between \$800,000 and \$1 million.

It must be emphasized that this is a rough estimate only, not a commitment to provide a certain amount of drugs; the actual amount of the drug benefit will depend on the number of eligible patients and the amount of medicines prescribed to them by their doctors. Additionally, acceptance of the hospital into the program is contingent upon it meeting pre-existing published standards, based upon an on-site pre-enrollment review by the accounting firm, PricewaterhouseCoopers (PWC). Pfizer has engaged PWC to assess processes and procedures at hospitals that participate in the program. We envision that this program will continue for the foreseeable future, assuming quality management and accountability at the hospital and the continued financial health of Pfizer, or until the pharmaceutical needs of low-income patients at the UAB Hospital are met by other state, federal or private programs. Specific terms and conditions of this aspect of the Pfizer proposal are subject to a final written agreement between Pfizer and the UAB Hospital.

Letter to Jeff Quinn, Solicitor

August 20, 2003

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2. A \$2 million dollar grant to the University of Alabama at Birmingham School of Medicine (or another appropriate recipient) to support the establishment or enhancement of a community health clinic to serve low-income patients in Calhoun County. There are several prospective types of clinics that could serve this need, such as a free clinic (using physicians who provide their services on a volunteer basis) established at an existing organization such as a church, community center or public facility; or a "federally-qualified community health center" that has full-time staff and clinicians and that serves any patient, including those that have government or private health insurance. The grant could be used for capital and/or operating costs to start-up a new facility or expand an existing one. Specific terms and conditions of this grant would be subject to a final written agreement and would be contingent upon the recipient's raising through other sources an amount equal to the Pfizer donation.
3. Pfizer would make a one-time contribution for the establishment of a \$500,000 fund to be used for purposes of medical examinations for uninsured patients in Calhoun County. The Pfizer Fund would be managed and invested by the UAB system or the local community foundation in West Arminston, and would continue until all proceeds are exhausted. Rules, by-laws, and eligibility requirements for grants from the Fund may be created by the management entity, except that such rules or eligibility requirements should be consistent with the purpose of the original endowment. Based upon estimates of the number of uninsured, low-income people in Calhoun County and the cost of an average medical exam (\$100), we estimate that this Fund (without any growth of principal), would allow for approximately 5,000 medical examinations. Specific terms and conditions of this grant would be subject to a final written agreement with the recipient.
4. Pfizer has in place a special program -- the Pfizer Share Card -- to enable low-income Medicare eligible enrollees who do not have or otherwise qualify for other available pharmaceutical insurance coverage to obtain Pfizer medicines for \$15 per prescription at most pharmacies. The Pfizer Share Card program, which is maintained at Pfizer's sole discretion, is intended to be a bridge program to assist eligible patients until the federal government provides a pharmaceutical benefit under the current Medicare program or other federal drug discount program. While the program has been in place in Alabama for more than a year, Pfizer is prepared to conduct new community outreach activities to increase enrollment in this program. Such initiatives would be undertaken at the company's sole discretion. To this end, Pfizer would be willing, on an as needed basis, to:
  - conduct a direct mailing to all Medicare beneficiaries in Calhoun County (if the county or state can provide a mailing list);
  - conduct outreach to senior centers and churches in Calhoun County;
  - place advertisements in local newspapers and on local radio stations;
  - sponsor "brown bag events" at retail pharmacies in Calhoun County (e.g. Wal-Mart);
  - collaborate with state agencies (e.g. Department of Aging) and national alliances that have Alabama chapters or affiliates (e.g. American or National Medical Association, NAACP, National Council on Aging) to conduct outreach to their constituencies in the area.

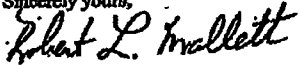
Letter to Jeff Quinn, Solicitor

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The goal of these outreach initiatives would be to increase the number of program beneficiaries in Calhoun County (and surrounding areas). Currently, an estimated 500 people in the county participate in the program, whereas approximately 4,100 residents are eligible. If 80% of eligible patients were to enroll, and based upon the average number of prescriptions per participant and the average savings gained per prescription, the savings to new enrollees in Calhoun County would exceed \$2.3 million per year. Again, these numbers are rough estimates only and do not represent a commitment to provide any specific amount of drugs under the Pfizer Share Card program; the actual amount of the drug benefit will depend on the number of eligible patients and the amount of medicines prescribed by them to their doctors.

Sincerely yours,



Robert L. Mallett

**EXHIBIT E  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**FILED UNDER SEPARATE COVER**

**EXHIBIT F  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT F**  
**FORM OF**  
**SERVICES AGREEMENT**

**dated as of \_\_\_\_\_, 2007**

**between**

**SOLUTIA INC.,**

**and**

**SFC LLC**

THIS SERVICES AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 2007, is executed by and between SOLUTIA INC., a Delaware corporation (together with its successors and permitted assigns, "Solutia"), and SFC LLC, a Delaware limited liability company (together with its successors and permitted assigns, the "Funding Co").

WITNESSETH:

WHEREAS, pursuant to a Settlement Agreement, dated as of August \_\_, 2007, among Solutia, Monsanto Company a Delaware corporation (together with its successors and permitted assigns, "Monsanto") and Funding Co (the "Monsanto Settlement Agreement"), Solutia undertakes to deposit certain funds with Funding Co and Funding Co agrees to maintain and disburse those funds, all in accordance with the terms and provisions of the Monsanto Settlement Agreement; and

WHEREAS, the Monsanto Settlement Agreement contemplates the provision of certain services by Solutia to Funding Co pursuant to the terms of a Services Agreement.

NOW THEREFORE, in consideration of the mutual benefits and obligations of the parties hereunder, Solutia and Funding Co hereby agree as follows:

ARTICLE I  
DEFINITIONS

Section 1.1Definitions. For all purposes of this Agreement, capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Monsanto Settlement Agreement.

ARTICLE II  
ENGAGEMENT OF SOLUTIA

Section 2.1Duties of Funding Co. On the terms and subject to the conditions set forth herein, Funding Co hereby engages Solutia, and Solutia hereby accepts such engagement, to perform and manage the following services, in each case to the extent such services are required by Funding Co on its own account or by Solutia in order to fulfill its obligations under the Monsanto Settlement Agreement:

(a) prepare financial statements as required by the Funding Co LLC Agreement (as hereinafter defined) and file, or cause to be filed, necessary or appropriate tax, securities and regulatory filings with federal, state and local authorities under applicable statutes;

(b) provide clerical, bookkeeping, office and contract administration and accounting services necessary or appropriate for Funding Co, including maintenance of general accounts and accounting records of Funding Co;

(c) provide legal and regulatory compliance functions as may be necessary and appropriate; and

(d) perform such other administrative acts which are necessary or appropriate to allow Funding Co to carry out its obligations under the Monsanto Settlement Agreement.

Notwithstanding the foregoing, Solutia shall not except in its capacity as the Sole Member (as defined in the Funding Co LLC Agreement (as hereinafter defined)), have the power or authority to (i) execute, file or deliver any document, agreement or instrument in the name of the Funding Co; (ii) initiate or compromise any claim or lawsuit in the name of Funding Co; or (iii) otherwise take any action inconsistent with the Monsanto Settlement Agreement and Funding Co Limited Liability Company Agreement ("Funding Co LLC Agreement").

#### Section 2.2 Duties of Funding Co.

(a) Information. Funding Co recognizes that the accuracy and completeness of the functions performed by Solutia hereunder is dependent upon the accuracy and completeness of the information obtained by Solutia from Funding Co and, to the extent applicable, Monsanto; and, therefore, Solutia shall not be responsible for any inaccuracy in the information as obtained, or for any inaccuracy in the functions performed by Solutia hereunder that may result from any such inaccuracy.

(b) Further Assurances. Funding Co shall take such actions as are reasonably necessary to assist Solutia by preparing and supplying Solutia with such information as Solutia may from time to time reasonably request in connection with the performance of its obligations hereunder.

#### Section 2.3 Reimbursement and Fees.

(a) Amounts payable by Funding Co to Solutia pursuant to this Agreement, which shall consist of an allocation of Solutia's general and administrative costs related to the services provided to Funding Co plus reasonable, documented out of pocket expenses, shall not be subject to deduction or set-off of any kind for any reason without the prior written consent of Solutia. Solutia agrees to submit, upon request, to Funding Co, reports that detail the manner in which invoices are prepared by Solutia and that support, in reasonable detail, any invoice including, without limitation, a detailed explanation as to the calculation of the amount of the invoice and the underlying costs.

(b) Funding Co or an accountant appointed by Funding Co shall have the right to inspect and review the Solutia's books, records and work papers for the purposes of verifying the amount of any invoice and the calculation thereof.

#### Section 2.4 Solutia Indemnification.

(a) Solutia shall indemnify and hold Funding Co and its affiliates, directors, officers, members, affiliates, advisors or representatives (excluding Solutia) ("Funding Co Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever that may be imposed on, incurred by or asserted against Funding Co as a result of or arising from (i) any act or omission on the part of

Solutia constituting negligence, fraud or willful misconduct in performing its obligations under this Agreement, (ii) the breach by Solutia of any representation or warranty under this Agreement or (iii) the failure of Solutia to perform its obligations under this Agreement. The indemnification provided for in this Section 2.4 shall survive the termination of this Agreement.

(b) Indemnification under this Section 2.4 shall include reasonable fees and expenses of external counsel and expenses of litigation. If Solutia has made any indemnity payments pursuant to this Section 2.4 and the Funding Co Indemnatee thereafter collects any of such amounts from others, the Funding Co Indemnatee shall promptly repay such amounts collected to Solutia, without interest.

### ARTICLE III MISCELLANEOUS

Section 3.1 Rights Confined to Parties. Except with respect to the Funding Co Indemnitees (solely for the purposes of Section 2.4), nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or to give to any Person, other than the parties hereto, any right, remedy or claim under or by reason of this Agreement and the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto, and their respective successors and permitted assigns.

Section 3.2 Amendment or Waiver. No provision of this Agreement may be amended or waived without the written consent of each of the parties hereto.

Section 3.3 Binding Upon Assigns. Except as otherwise provided herein, this Agreement (including any amendments, modifications and waivers hereof properly adopted) shall only be assigned with the prior written consent of the other party. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Any party's transfer or assignment in violation of this Section 3.3 shall be void as to the other party.

Section 3.4 Notices. All notices, requests, demands or other communications delivered to a Person under this Agreement shall be delivered as specified in Section 10.03 of the Monsanto Settlement Agreement.

Section 3.5 Governing Law; Submission to Jurisdiction.

**(a) THE PROVISIONS OF THIS AGREEMENT, AND ALL THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW.**

(b) Each of the parties hereto hereby irrevocably agrees that any legal action, suit or proceeding brought by or against either of them with respect to any matter under or arising out of or in any way connected with this Agreement or any document delivered pursuant hereto or thereto or for recognition or enforcement of any judgment rendered in any

such action, suit or proceeding may be brought in the courts of the State of Delaware or of the United States of America in the State of Delaware, and by execution and delivery of this Agreement, the parties hereto hereby irrevocably accept and submit to the non-exclusive jurisdiction of the aforesaid courts in person, generally and unconditionally, with respect to any such action, suit or proceeding for themselves and in respect of any of their property, assets and revenues. In addition, the parties hereto hereby irrevocably and unconditionally waive, to the fullest extent permitted by law, any objection which any of them may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings brought in any such court arising out of or in connection with this Agreement or any other document delivered pursuant hereto or thereto, brought in any of the aforesaid courts, and hereby further irrevocably and unconditionally waive and agree, to the fullest extent permitted by law, not to plead or claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

**Section 3.6 Termination.** Either party to this Agreement may terminate this Agreement upon thirty days' written notice to the other party, but only if (i) Funding Co has the ability to perform the services specified herein by itself or through an alternative arrangement with a third party and (ii) the consent of Monsanto has been obtained.

**Section 3.7 Confidentiality.**

(a) Each party hereto shall keep confidential any information furnished or made available to it by the other party pursuant to this Agreement unless such information is marked non-confidential; provided that nothing herein shall prevent any such party from disclosing such information (i) pursuant to the order of any court or administrative agency having jurisdiction over any such party in any pending legal or administrative proceedings or as otherwise required by law, in each case, as determined in the reasonable opinion of counsel, (ii) upon the request or demand of any legislative or regulatory authority having applicable jurisdiction over any such party, (iii) that is or becomes available to the public or that is or becomes available to any party other than as a result of a disclosure by any party prohibited by this Agreement, (iv) in connection with any litigation to which such party may be party, and (v) to the extent necessary in connection with the exercise of any remedy under this Agreement.

(b) Both Solutia's and Funding Co's obligations under this Section 3.7 shall survive the termination of this Agreement.

**Section 3.8 No Petition.** Solutia shall not, prior to the date that is one year and one day after the final distribution from the accounts of Funding Co established under the Monsanto Settlement Agreement, acquiesce, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against Funding Co under any Insolvency Law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Funding Co or any substantial part of its property, or ordering the winding up or liquidation of the affairs of Funding Co.

Section 3.9 No Consequential Damages. In no event shall either party be liable to the other under this Agreement or in connection with services provided hereunder for any punitive, incidental, consequential or indirect damages in tort, contract or otherwise.

Section 3.10 Relationship of Parties.

(a) Nothing set forth herein shall constitute, or be construed as creating, an employment relationship, a partnership, a joint venture or any other kind of relationship or association between the parties. Except as expressly provided herein or in any other written agreement between the parties (including, without limitation, the Funding Co LLC Agreement), neither party has any authority, expressed or implied, to bind, or to incur liabilities on behalf or in the name of, the other party.

(b) All services to be furnished by Solutia under this Agreement may be furnished by any officer or employee of Solutia or any other agent of or Person designated by Solutia and reasonably acceptable to Monsanto. No director, officer or employee of Solutia shall receive a salary or other compensation from Funding Co. Solutia shall devote such time in providing its services hereunder as is reasonably necessary to fully perform such services.

Section 3.11 Execution in Counterparts; Severability. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 3.12 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all previous oral statements and other writings with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

SOLUTIA INC.

By: \_\_\_\_\_

Name:

Title:

SFC LLC.

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT G1  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT G1**  
**FORM OF**  
**SOLUTIA DEFERRED PAYMENT NOTE**

\_\_\_\_\_, 2007

FOR VALUE RECEIVED, Solutia Inc., a Delaware corporation ("*Payor*"), hereby promises to pay to the order of Monsanto Company, a Delaware corporation (the "*Company*"), the aggregate Deferred Payments (as defined below) together with interest thereon in accordance with the provisions of this promissory note (this "*Note*"). This Note is issued in connection with the Settlement Agreement, dated as of August \_\_, 2007 (as amended, restated or otherwise modified from time to time, the "*Settlement Agreement*"), between the Company, Payor and SFC LLC ("*Funding Co*"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Settlement Agreement.

1. *Principal and Interest.*

- (a) Principal. The Company may endorse and attach a schedule to reflect the date and amount of each Deferred Payment Obligation paid by the Company pursuant to Section 3.04(e)(i) of the Settlement Agreement (each such payment, the "*Deferred Payment*") and the date and amount of each payment or prepayment of each Deferred Payment made by the Payor pursuant to this Note (and the aggregate amount of all such Deferred Payments shall constitute the principal amount owed hereunder); *provided* that the failure of the Company to make any such recordation (or any error in such recordation) shall not affect the obligations of Payor hereunder or under the Settlement Agreement.
- (b) Interest. Interest shall accrue on the unpaid amount of each Deferred Payment made by the Company pursuant to this Note on a daily basis at an annual interest rate of \_\_\_\_% and shall compound annually. Interest shall be calculated on the basis of the actual number of days elapsed and a year of 365/6 days.<sup>1</sup>

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<sup>1</sup> To be equal to the same rate that interest accrues on funds drawn on Solutia's then-existing secured revolving credit facility, plus 1.5% (assuming a LIBOR rate for each Deferred Payment made under the Note that is equal to the LIBOR rate for amounts drawn under the Payor's revolving credit facility having a maturity period that most closely corresponds to the repayment period of the applicable Deferred Payment).

2. *Payment of Note.*

- (a) Mandatory Repayments. Payor shall repay the principal amount of each Deferred Payment in four (4) equal installments commencing on the first (1st) anniversary of the last Business Day of the fiscal quarter of Payor in which such Deferred Payment was made by the Company. Interest shall be payable on the last Business Day of each of Payor's fiscal quarters. Interest payments on any Deferred Payment shall commence on the last Business Day of the first fiscal quarter of Payor immediately following the fiscal quarter of Payor in which the applicable Deferred Payment was made by the Company. For the avoidance of doubt, during the period of time that Payor is repaying the principal amount of each Deferred Payment, interest shall continue to accrue on the then unpaid portion of the applicable Deferred Payment.
- (b) Optional Prepayments. Payor may at any time prepay, without premium or penalty, all or any portion of Payor's obligations under this Note.
- (c) Mechanics. All payments and prepayments of principal of and interest on this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to an account designated by the Company. All such payments and prepayments shall be applied first to pay all accrued but unpaid interest and then to pay principal.

3. *Events of Default.*

- (a) Definition. For the purposes of this Note, an Event of Default will be deemed to have occurred if:
  - (i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due and payable on this Note, and such failure continues for a period of five (5) Business Days after the Company provides notice in a manner provided by Section 12 of such failure;
  - (ii) Payor fails to perform or observe any other material provision contained in this Note and such failure continues for a period of five (5) Business Days after the Company provides notice in a manner provided by Section 12 of such failure;
  - (iii) An event of default with respect to any other indebtedness of Payor to the Company or its Affiliates occurs; or
  - (iv) Payor makes an assignment for the benefit of creditors or admits in writing Payor's inability to pay Payor's debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to Payor under any bankruptcy, reorganization,

arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (A) Payor by any act indicates Payor's approval thereof, consents thereto or acquiesces therein or (B) such petition, application or proceeding is not dismissed within sixty days.

(b) Consequences of Events of Default.

- (i) If an Event of Default (other than the types described in Section 3(a)(iv) hereof) occurs, the holder of this Note may declare, by written notice of default given to Payor, the entire outstanding principal amount of this Note, together with all accrued and unpaid interest thereon, immediately due and payable.
  - (ii) If an Event of Default of the types described in Section 3(a)(iv) hereof occurs, then all of the outstanding principal amount of this Note, together with all accrued and unpaid interest thereon, shall automatically be immediately due and payable without any further action on the part of the holder of this Note.
- 4. *Guarantee.* Payments of principal and interest with respect to this Note are guaranteed by the Subsidiary Guarantee, dated as of the date hereof, executed in favor of the Company by certain subsidiaries of Payor.
  - 5. *Amendment and Waiver.* The provisions of this Note may be amended only by prior written consent of Payor and the Company. Payor may take any action herein prohibited, or omit to perform any act herein required to be performed by Payor, only if Payor has obtained the prior written consent of the Company and the Company's consent with respect to one action or omission shall not be deemed to be a consent for any future action or omission.
  - 6. *Rights of the Company.* The Company may take any action set forth in this Note without liability to Payor or any other person except to account for the property actually received by it, but the Company shall have no duty to exercise any of such rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing. The obligations of Payor under this Note shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which Payor may have or have had against the Company.
  - 7. *Cancellation.* After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.
  - 8. *Costs of Enforcement.* Payor agrees to pay, and to indemnify, defend and hold harmless the Company and its directors, officers, employees and affiliates from, against and for any and all liabilities, obligations, claims, damages, actions, penalties, causes of action, losses, judgments, suits, costs, expenses and disbursements, including without limitation,

reasonable attorneys' fees, incurred or arising in connection with the enforcement by the Company of its rights under this Note.

9. *Waiver of Presentment, Demand and Dishonor.*

- (a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided by or allowed under the Bankruptcy Code, both as to Payor and as to all of Payor's property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals, and modifications hereof.
- (b) No failure on the part of the Company to exercise any right or remedy hereunder with respect to Payor, whether before or after the occurrence of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by the Company or the Company's rights or remedies with respect thereto. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right the Company may have, whether by the laws of the jurisdiction governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

- 10. *Governing Law.* This Note shall be governed by and construed in accordance with the laws of the State of Delaware (other than the laws regarding choice of laws and conflicts of laws) as to all matters, including matters of validity, construction, effect performance and remedies.
- 11. *Dispute Resolution.* The procedures for discussion, negotiation and arbitration set forth in Article IX of the Settlement Agreement shall apply to all disputes, controversies or claims that may arise out of or relate to, or arise under or in connection with, this Note. Each of Payor and the Company agrees that Article IX of the Settlement Agreement shall provide the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any action or proceeding in or before any Governmental Authority, except as expressly provided in Article IX of the Settlement Agreement.
- 12. *Notice.* All notices, requests, claims demands and other communications hereunder shall be given in accordance with the Settlement Agreement.

13. *Integration.* This Note, the Settlement Agreement and the documents referred to herein or therein or delivered pursuant hereto or thereto which form a part hereof or thereof contain the entire understanding of the parties with respect to the subject matter hereof and thereof.

**[END OF PAGE]**  
**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, Payor has executed and delivered this Solutia  
Deferred Payment Note on the date first above written.

SOLUTIA INC.

By: \_\_\_\_\_  
Name:  
Title:

**Schedule of Deferred Payments**

Deferred Payment	Date of the Deferred Payment	Amount of Repayment	Date of Repayment

**EXHIBIT G2  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT G2**  
**FORM OF**  
**SOLUTIA DEFERRED NRD NOTE**

\_\_\_\_\_, 2007

FOR VALUE RECEIVED, Solutia Inc., a Delaware corporation ("*Payor*"), hereby promises to pay to the order of Monsanto Company, a Delaware corporation (the "*Company*"), the aggregate Deferred NRD Payments (as defined below) together with interest thereon in accordance with the provisions of this promissory note (this "*Note*"). This Note is issued in connection with the Settlement Agreement, dated as of August \_\_, 2007 (as amended, restated or otherwise modified from time to time, the "*Settlement Agreement*"), between the Company, Payor and SFC LLC ("*Funding Co*"). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Settlement Agreement.

1. *Principal and Interest.*

- (a) Principal. The Company may endorse and attach a schedule to reflect the date and amount of each Deferred Payment Obligation paid by the Company pursuant to Section 3.04(e)(iii) of the Settlement Agreement (each such payment, the "*Deferred NRD Payment*") and the date and amount of each payment or prepayment of each Deferred NRD Payment made by the Payor pursuant to this Note (and the aggregate amount of all such Deferred NRD Payments shall constitute the principal amount owed hereunder); *provided* that the failure of the Company to make any such recordation (or any error in such recordation) shall not affect the obligations of Payor hereunder or under the Settlement Agreement.
- (b) Interest. Interest shall accrue on the unpaid amount of each Deferred NRD Payment made by the Company pursuant to this Note on a daily basis at an annual interest rate of \_\_\_\_% and shall compound annually. Interest shall be calculated on the basis of the actual number of days elapsed and a year of 365/6 days.<sup>1</sup>

2. *Payment of Note.*

<sup>1</sup> To be equal to the same rate that interest accrues on funds drawn on Solutia's then-existing secured revolving credit facility, plus 1.5% (assuming a LIBOR rate for each Deferred Payment made under the Note that is equal to the LIBOR rate for amounts drawn under the Payor's revolving credit facility having a maturity period that most closely corresponds to the repayment period of the applicable Deferred Payment).

- (a) Mandatory Repayments. Payor shall repay the principal amount of each Deferred NRD Payment on December 31 of the year following the year in which such Deferred NRD Payment was made by the Company; provided, that if such repayments, when combined with the Solutia Payment or Solutia's portion of the Shared Payment for the fiscal year of Payor in which repayment under this Note is due, would exceed the Solutia Cap, Payor may defer such repayment to December 31 of the following year; provided, further, that in no event shall any Deferred NRD Payment not be repaid within five (5) years. Interest shall be payable on the last Business Day of each of Payor's fiscal quarters. Interest payments on any Deferred NRD Payment shall commence on the last Business Day of the first fiscal quarter of Payor immediately following the fiscal quarter of Payor in which the applicable Deferred NRD Payment was made by the Company. For the avoidance of doubt, during the period of time that Payor is repaying the principal amount of each Deferred NRD Payment, interest shall continue to accrue on the then unpaid portion of the applicable Deferred NRD Payment.
- (b) Optional Prepayments. Payor may at any time prepay, without premium or penalty, all or any portion of Payor's obligations under this Note.
- (c) Mechanics. All payments and prepayments of principal of and interest on this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to an account designated by the Company. All such payments and prepayments shall be applied first to pay all accrued but unpaid interest and then to pay principal.

3. *Events of Default.*

- (a) Definition. For the purposes of this Note, an Event of Default will be deemed to have occurred if:
  - (i) Payor fails to pay when due any amount (whether interest, principal or other amount) then due and payable on this Note, and such failure continues for a period of five (5) Business Days after the Company provides notice in a manner provided by Section 12 of such failure;
  - (ii) Payor fails to perform or observe any other material provision contained in this Note and such failure continues for a period of five (5) Business Days after the Company provides notice in a manner provided by Section 12 of such failure;
  - (iii) An event of default with respect to any other indebtedness of Payor to the Company or its Affiliates occurs; or
  - (iv) Payor makes an assignment for the benefit of creditors or admits in writing Payor's inability to pay Payor's debts generally as they become due; or an order, judgment or decree is entered adjudicating Payor bankrupt or insolvent; or any order for relief with respect to Payor is entered under the Bankruptcy Code; or Payor petitions or applies to any tribunal for the

appointment of a custodian, trustee, receiver or liquidator, or commences any proceeding relating to Payor under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction; or any such petition or application is filed, or any such proceeding is commenced, against Payor and either (A) Payor by any act indicates Payor's approval thereof, consents thereto or acquiesces therein or (B) such petition, application or proceeding is not dismissed within sixty days.

(b) Consequences of Events of Default.

- (i) If an Event of Default (other than the types described in Section 3(a)(iv) hereof) occurs, the holder of this Note may declare, by notice of default given to Payor, the entire outstanding principal amount of this Note, together with all accrued and unpaid interest thereon, immediately due and payable.
  - (ii) If an Event of Default of the types described in Section 3(a)(iv) hereof occurs, then all of the outstanding principal amount of this Note, together with all accrued and unpaid interest thereon, shall automatically be immediately due and payable without any further action on the part of the holder of this Note.
- 4. *Guarantee.* Payments of principal and interest with respect to this Note are guaranteed by the Subsidiary Guarantee, dated as of the date hereof, executed in favor of the Company by certain subsidiaries of Payor.
  - 5. *Amendment and Waiver.* The provisions of this Note may be amended only by prior written consent of Payor and the Company. Payor may take any action herein prohibited, or omit to perform any act herein required to be performed by Payor, only if Payor has obtained the prior written consent of the Company and the Company's consent with respect to one action or omission shall not be deemed to be a consent for any future action or omission.
  - 6. *Rights of the Company.* The Company may take any action set forth in this Note without liability to Payor or any other person except to account for the property actually received by it, but the Company shall have no duty to exercise any of such rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing. The obligations of Payor under this Note shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which Payor may have or have had against the Company.
  - 7. *Cancellation.* After all obligations for the payment of money arising under this Note have been paid in full, this Note will be surrendered to Payor for cancellation.
  - 8. *Costs of Enforcement.* Payor agrees to pay, and to indemnify, defend and hold harmless the Company and its directors, officers, employees and affiliates from, against and for any and all liabilities, obligations, claims, damages, actions, penalties, causes of action,

losses, judgments, suits, costs, expenses and disbursements, including without limitation, reasonable attorneys' fees, incurred or arising in connection with the enforcement by the Company of its rights under this Note.

9. *Waiver of Presentment, Demand and Dishonor.*

(a) Payor hereby waives presentment for payment, protest, demand, notice of protest, notice of nonpayment and diligence with respect to this Note, and waives and renounces all rights to the benefits of any statute of limitations or any moratorium, appraisement, exemption, or homestead now provided or that hereafter may be provided by any federal or applicable state statute, including but not limited to exemptions provided by or allowed under the Bankruptcy Code, both as to Payor and as to all of Payor's property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals, and modifications hereof.

(b) No failure on the part of the Company to exercise any right or remedy hereunder with respect to Payor, whether before or after the occurrence of an Event of Default, shall constitute waiver of any such Event of Default or of any other Event of Default by the Company or the Company's rights and remedies with respect thereto. No failure to accelerate the debt of Payor evidenced hereby by reason of an Event of Default or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter, or shall be deemed to be a novation of this Note or a reinstatement of such debt evidenced hereby or a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right the Company may have, whether by the laws of the jurisdiction governing this Note, by agreement or otherwise, and Payor hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing.

10. *Governing Law.* This Note shall be governed by and construed in accordance with the laws of the State of Delaware (other than the laws regarding choice of laws and conflicts of laws) as to all matters, including matters of validity, construction, effect performance and remedies.

11. *Dispute Resolution.* The procedures for discussion, negotiation and arbitration set forth in Article IX of the Settlement Agreement shall apply to all disputes, controversies or claims that may arise out of or relate to, or arise under or in connection with, this Note. Each of Payor and the Company agrees that Article IX of the Settlement Agreement shall provide the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any action or proceeding in or before any Governmental Authority, except as expressly provided in Article IX of the Settlement Agreement.

12. *Notice.* All notices, requests, claims demands and other communications hereunder shall be given in accordance with the Settlement Agreement.

13. *Integration.* This Note, the Settlement Agreement and the documents referred to herein or therein or delivered pursuant hereto or thereto which form a part hereof or thereof contain the entire understanding of the parties with respect to the subject matter hereof and thereof.

**[END OF PAGE]**

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, Payor has executed and delivered this Solutia  
Deferred NRD Note on the date first above written.

SOLUTIA INC.

By: \_\_\_\_\_  
Name:  
Title:

**Schedule of Deferred NRD Payments**

Deferred NRD Payment	Date of the Deferred NRD Payment	Amount of Repayment	Date of Repayment

**EXHIBIT H**  
**TO MONSANTO SETTLEMENT AGREEMENT**  
**HAS BEEN INTENTIONALLY REMOVED**



**EXHIBIT I  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT I**  
**FORM OF**  
**MONSANTO COMPANY AND SOLUTIA INC.**  
**ENVIRONMENTAL COMMITTEE CHARTER**

**Purpose**

The Environmental Committee (the "Committee") is the Environmental Committee contemplated by that certain Settlement Agreement, dated as of August 2, 2007 (the "Agreement") by and between Monsanto Company ("Monsanto"), Solutia Inc. ("Solutia") and SFC LLC ("Funding Co"). Unless otherwise defined herein, capitalized terms used herein shall have the meaning set forth in the Agreement. In the event of any inconsistency between the terms of this Charter and the terms of the Agreement, the Agreement shall prevail. Certain principles which shall guide and form the basis for the actions and decisions of the Committee are set forth in Exhibit A hereto (the "Principles").

**Membership**

1. The Committee shall consist of five (5) members (each a "Member"), three (3) of whom shall be appointed by Monsanto (each a "Monsanto Representative") and two (2) of whom shall be appointed by Solutia (each a "Solutia Representative").
2. In the event that any Monsanto Representative shall cease for whatever reason to continue to be a Monsanto Representative, Monsanto shall have the sole right to appoint a new Monsanto Representative. In the event that any Solutia Representative shall cease for whatever reason to continue to be a Solutia Representative, Solutia shall have the sole right to appoint a new Solutia Representative.
3. Only Monsanto shall have the right to remove a Monsanto Representative from serving as a Monsanto Representative and only Solutia shall have the right to remove a Solutia Representative from serving as a Solutia Representative.
4. The Chairman of the Committee (the "Chairman") shall always be a Monsanto Representative selected by Monsanto. The Deputy Chairman of the Committee (the "Deputy Chairman") shall always be a Solutia Representative selected by Solutia.

**Meetings**

1. Meetings of the Committee shall be held no less frequently than quarterly.
2. Meetings may be held in person or by telephone, so long as all Members participating in the meeting are able to communicate with and hear one another. Members shall be counted for quorum purposes whether participating in person or by telephone.
3. Notices of meetings of the Committee, including the time and place of any proposed meeting, shall be delivered to each Member by the Chairman or a Member designated by

the Chairman in writing by facsimile or electronically by email not less than 10 days prior to the date of such proposed meeting, unless such notice is waived by each Member. Notice shall be transmitted to the last known facsimile number or email address of the Member as shown on the records of the Committee. Such notice as above provided shall be considered due, legal and valid notice to such Member. With respect to a meeting which has not been duly called or noticed pursuant to the foregoing provisions, all business transacted at such meeting shall be as valid as if such business had been transacted at a meeting duly called and noticed if: (i) all Members are present at the meeting and sign a written consent to the holding of such meeting; (ii) a majority of the Members are present at the meeting and those not present sign a waiver of notice of the meeting or a consent to the holding the meeting or an approval of the minutes thereof, whether prior to or after the holding of such meeting, which waiver, consent or approval shall be filed with the other records of the Committee; or (iii) all Members attend the meeting without notice and no Member protests prior to the meeting or at its commencement that notice was not duly given to them in accordance with the foregoing provisions.

4. Except as otherwise provided in this Charter or in the Agreement:
  - (a) A majority of the Members, including at least two Monsanto Representatives and one Solutia Representative, shall constitute a quorum for the transaction of business. If at any meeting of the Committee which has been duly called and noticed, there is not present at least two Monsanto Representatives and one Solutia Representative, such meeting shall be adjourned and reconvened on the second succeeding Business Day thereafter or such earlier or later Business Day as shall be consented to in writing by each Member. Notice of such adjournment and the rescheduled meeting date shall be given to each Member pursuant to the foregoing notice provisions. Any given meeting of the Committee shall be adjourned and rescheduled only once due to the absence of at least two Monsanto Representatives and one Solutia Representative.
  - (b) The act of a majority of the Members present at any meeting at which there is a quorum shall be the act of the Committee.
  - (c) Monsanto Representatives shall be allowed to give their proxies to other Monsanto Representatives and Solutia Representatives shall be allowed to give their proxies to other Solutia Representatives. Monsanto Representatives shall be able to designate other Monsanto employees to act on their behalf at Committee meetings. Solutia Representatives shall be able to designate other Solutia employees to act on their behalf at Committee meetings. During periods when Monsanto is not in control of the Environmental Committee, such designees need not be Monsanto or Solutia employees. In any event, such designees shall have expertise regarding environmental issues of the type being addressed by the Committee.
5. The Chairman shall be responsible for scheduling meetings of the Committee and providing the Committee with a written agenda for each meeting. The Chairman, or in

his absence the Deputy Chairman, shall preside at the meetings of the Committee. In the absence of both the Chairman and the Deputy Chairman, a majority of the Members of the Committee present at a meeting shall appoint a Member to preside at such meeting.

6. Special meetings of the Committee for any purpose may be called at any time by any Member of the Committee. Notice of any special meeting shall be given to each Member pursuant to the foregoing notice provisions.
7. Any action required or permitted to be taken by the Members may be taken without a meeting and will have the same force and effect as if taken by a vote of Members at a meeting properly called and noticed, if authorized by a writing signed individually or collectively by all, but not less than all, of the Members of the Committee. Such consent shall be filed with the records of the Committee. The records of the Committee shall be maintained by the Chairman.

#### **Power and Responsibility**

8. The Committee shall have only those powers and responsibilities expressly set forth in this Charter and/or in the Agreement, the exercise of which powers and responsibilities shall at all times be in accordance with the Principles.
9. The Committee shall have the following powers and responsibilities:
  - (a) The Committee shall approve the annual budget for Environmental Remediation at the Shared Sites (the "Budget").
  - (b) The Committee shall approve an annual strategic plan for Environmental Remediation with respect to all Shared Sites ("Remediation Strategic Plan").
  - (c) The Budget and Remediation Strategic Plan shall be prepared by Solutia and submitted to the Committee (A) as to the initial Budget and Remediation Strategic Plan, no later than 60 days after the Effective Date, and (B) as to subsequent Budget and Remediation Strategic Plans, no later than 120 days prior to the beginning of each fiscal year of Solutia. Within 30 days after its receipt of the proposed Budget and Remediation Strategic Plan, the Committee shall either:
    - (i) Notify Solutia in writing that it approves such Budget and/or Remediation Strategic Plan; or
    - (ii) Provide to Solutia in writing proposed changes to such Budget and/or Remediation Strategic Plan which shall describe in reasonable detail the nature and amount (if applicable) of such changes and the reasons for such changes.
    - (iii) In the event that the Committee proposes changes to the Budget and/or Remediation Strategic Plan, Solutia and the Committee shall negotiate in good faith to mutually agree upon such Budget and/or Remediation Strategic Plan no later than 60 days prior to the beginning of the

applicable fiscal year of Solutia or Monsanto, as applicable. If the Committee and Solutia are unable to agree upon the terms of the Budget and/or Remediation Strategic Plan on or before the 30<sup>th</sup> day prior to the beginning of the applicable fiscal year of Solutia or Monsanto, as applicable (or such later date until which Solutia and the Committee shall mutually agree to extend negotiations regarding such matters), the Budget and/or Remediation Strategic Plan, as applicable, shall be determined by a vote of the Committee.

- (iv) If, after approval of the annual Remediation Strategic Plan and Budget by the Environmental Committee, changes in Environmental Remediation of the Shared Sites are required by a Governmental Authority or desired by one of the Parties that would necessitate a change to the Remediation Strategic Plan and/or Budget, such changes shall be considered at either a special or regular meeting of the Committee and determined by a vote of the Committee.

(d) Neither Solutia nor Monsanto shall enter any agreement including, but not limited to, any policy of insurance regarding the Shared Sites, that in any way impairs the authority of the Committee under this Charter or the Agreement.

10. Except as expressly set forth above or in the Agreement, Solutia shall have the authority to control and manage the day-to-day management of Environmental Remediation at the Shared Sites in accordance with the Budget and the Remediation Strategic Plan and subject to Section 3.04(d) of the Agreement. Monsanto shall designate a primary oversight remediation manager for each Shared Site who shall be kept apprised of the day-to-day operations, be advised of and have the opportunity to attend meetings with Government Authorities and other third parties regarding the Shared Sites and be copied on all communications with Government Authorities regarding the Shared Sites.
11. Emergency Action. Solutia shall have the right to take any Emergency Action that it deems necessary. Solutia shall seek to obtain the prior approval of the Environmental Committee prior to taking any Emergency Action. If Solutia determines that it is necessary to take any Emergency Action prior to obtaining the approval of the Environmental Committee, Solutia shall, as promptly as practicable thereafter, provide a written statement to each member of the Environmental Committee describing such Emergency Action, any amounts paid or incurred to date in connection with such Emergency Action and a good faith estimate of any additional amounts expected to be paid or incurred in connection therewith. Any Emergency Action shall be deemed completed upon the completion of such actions as are necessary to stabilize the circumstances giving rise to the Emergency Action and thereafter any further action by Solutia with respect to the situation, facts or circumstances giving rise to the Emergency Action shall be governed by the otherwise-applicable provisions hereof.

"Emergency Action" means any action with respect to a Shared Site that (a) is not provided for in, or contemplated by, the budget and/or strategic remediation plan, in

each case, approved by the Environmental Committee for the fiscal year of Solutia in which such action is to be taken, (b) requires action on a timetable that would not permit Solutia to obtain the prior approval of the Environmental Committee, (c) is reasonably deemed by Solutia to be beneficial to the interests of the Parties, including any action to protect Persons from bodily injury or protect property or the environment from harm, and (d) is undertaken, as practicable under the circumstances, in reasonable consultation with Monsanto.

### **Cost Recovery Subcommittee**

The Committee shall establish a subcommittee to manage Cost Recovery Cases which shall be known as the Cost Recovery Subcommittee. The Cost Recovery Subcommittee shall consist of two (2) members, one (1) of which shall be appointed by Monsanto and one (1) of which shall be appointed by Solutia. Members of the Cost Recovery Subcommittee shall have experience in both litigation and environmental remediation matters. The Cost Recovery Subcommittee shall manage the Cost Recovery Cases in accordance with the Joint Prosecution/Defense Agreement and shall report to the Committee. Any disagreement among the members of the Cost Recovery Subcommittee as to the management of Cost Recovery Cases shall be resolved pursuant to the terms of the Joint Prosecution/Defense Agreement as amended or replaced from time to time by mutual agreement of the Parties.

### **Members' Duty of Good Faith**

Each Member shall owe a duty of good faith to both Monsanto and Solutia to adhere to the Principles with respect to all matters coming before the Committee and all actions taken (and all decisions not to take action) by the Committee.

### **Term**

This Charter and the Committee shall remain in existence and the Committee shall continue to function in accordance with this Charter and the Agreement for so long as the Agreement remains in full force and effect; provided, however, that Monsanto and Solutia shall have the right to terminate this Charter and the Committee by mutual written consent even though the Agreement shall remain in full force and effect.

### **Miscellaneous**

12. The Committee shall review and assess the adequacy of this Charter and may propose changes to the Charter for the approval of Monsanto and Solutia. A change to this Charter shall be effective only if approved in writing by both Monsanto and Solutia.
13. The Committee shall annually review its own performance and Solutia's performance in carrying out the day-to-day responsibilities consistent with the Budget and Remediation Strategic Plan..

**EXHIBIT A**

**Principles**

The Environmental Committee, and Solutia and Monsanto with respect to their involvement with the Environmental Committee and, shall conduct themselves with respect to Environmental Liabilities so as to:

1. Minimize the aggregate net present value of all Environmental Liability Costs with respect to Shared Sites.
2. Manage Environmental Remediation without regard to which party bears the financial burden pursuant to the cost sharing mechanism set forth in Section 3.04(e) of the Agreement.
3. Equally consider the interests of both Monsanto (including without limitation liabilities from Legacy Tort Claims) and Solutia (including without limitation maintaining Solutia as a viable and financially sound entity), when preparing the Budget Remediation Strategic Plan and managing Environmental Remediation efforts.
4. Subject to principle one above, pursue Environmental Remediation in a reasonably cost-effective manner employing "in-situ" remedies and institutional controls where practicable.

**EXHIBIT J  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT J**

**FORM OF**

**SUBSIDIARY GUARANTEE**

SUBSIDIARY GUARANTEE, dated as of \_\_\_\_\_, 2007, made by [LIST SOLUTIA DEBTOR SUBSIDIARIES] (each a "Guarantor" and collectively, the "Guarantors"), in favor of MONSANTO COMPANY, a Delaware corporation, and its affiliates, directors, officers, employees, successors and assigns (collectively, the "Secured Party").

**WITNESSETH:**

WHEREAS, pursuant to the Settlement Agreement, dated as of August \_\_, 2007 (as amended, restated or otherwise modified from time to time, the "Settlement Agreement"), among Solutia Inc., a Delaware corporation ("Solutia"), Monsanto Company and SFC LLC, the Secured Party has agreed to pay amounts deferred by Solutia upon the terms and subject to the conditions set forth therein;

WHEREAS, Solutia will undertake certain indemnification obligations pursuant to Article V of the Settlement Agreement;

WHEREAS, Solutia may defer certain payment obligations pursuant to Section 3.04(e) the Settlement Agreement and the Secured Party may make such payments; and

WHEREAS, the Guarantors are direct or indirect wholly owned subsidiaries of Solutia and will derive direct and indirect benefits from the accommodations made by the Secured Party to Solutia.

NOW, THEREFORE, in consideration of the premises and to induce the Secured Party to enter into the Settlement Agreement, each of the Guarantors hereby agrees with the Secured Party as follows:

1. **Defined Terms.** Unless otherwise defined herein, terms that are defined in the Settlement Agreement and used herein are so used as so defined, and the following terms shall have the following meanings:
  - (a) "**Obligations**" means the unpaid principal amount of, and interest on (including interest accruing on or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Solutia, whether or not a claim for such post-filing or post-petition interest is allowed), the obligations and liabilities of Solutia to the Secured Party, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, Section 3.04(e) and Article V of the Settlement Agreement, the Solutia Deferred Payment Note or the Solutia Deferred NRD Note, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise.

- (b) "Event of Default" means the failure by Solutia to pay or fulfill any of the Obligations when due and payable under and pursuant to: (A) the Settlement Agreement, (B) the Solutia Deferred Payment Note, and/or (C) the Solutia Deferred NRD Note, and such failure shall continue for a period of twenty (20) consecutive days after notice thereof is given by the Secured Party.
  - (c) "Guarantee" means this Subsidiary Guarantee, as amended, supplemented or otherwise modified from time to time.
- 2. Obligations upon an Event of Default. Upon an Event of Default, each of the Guarantors shall be jointly and severally liable for the immediate payment of all amounts due (including, without limitation, all principal, interest, and fees) and in respect of the Obligations.
- 3. Independent Obligations. The Obligations are independent of Solutia's obligations and separate actions may be brought against each Guarantor (whether action is brought against Solutia or whether Solutia are joined in the action). Each Guarantor waives the benefit of any statute of limitations affecting its liability hereunder. Each Guarantor's liability is not contingent on the genuineness or enforceability of the Settlement Agreement, the Solutia Deferred Payment Note or the Solutia Deferred NRD Note.
- 4. Rights of Secured Party. Secured Party may, without notice to the Guarantors and without affecting any of the Guarantors' obligations under this Guarantee, and in Secured Party's sole discretion (a) renew, extend, or otherwise change the terms of the Settlement Agreement, the Solutia Deferred Payment Note or the Solutia Deferred NRD Note, in accordance with the terms of thereof; (b) exchange, enforce, waive and release any security; and (c) apply the security and direct its sale as Secured Party, in its discretion, chooses.
- 5. Waiver. Each Guarantor waives:
  - (a) Any right to require Secured Party to (i) proceed against Solutia or any other Person; (ii) proceed against or exhaust any security or (iii) pursue any other remedy. Secured Party may, in its sole discretion, exercise or not exercise any right or remedy it has against Solutia or any security it holds (including the right to foreclose by judicial or nonjudicial sale) without affecting any of the Guarantors' liability hereunder.
  - (b) Any defenses from disability or other defense of Solutia or from the cessation of Solutia's liabilities.
  - (c) Any setoff, defense or counterclaim against Secured Party.
  - (d) Any defense from the absence, impairment or loss of any right of reimbursement or subrogation or any other rights against Solutia. Until Solutia's obligations to Secured Party have been paid, none of the Guarantors has any right of subrogation or reimbursement or subrogation or other rights against Solutia.

- (e) Any right to enforce any remedy that Secured Party has against Solutia.
  - (f) Any rights to participate in any security held by Secured Party.
  - (g) Any demands for performance or notices of nonperformance or of new or additional indebtedness. Each Guarantor is responsible for being and keeping itself informed of Solutia's financial condition. Unless a Guarantor requests in writing particular information, Secured Party has no duty to provide any information to any Guarantor.
6. Limitations; Termination. Notwithstanding anything herein to the contrary, this Guarantee shall in no event limit in any way whatsoever Solutia's or any Guarantor's ability to (a) obtain any financing or refinancing (and this Guarantee shall be subject, subordinate and inferior to, but not terminated by, any guarantee required in connection with any debt financing or debt refinancing) or (b) acquire or sell any assets or businesses of Solutia (including the stock of any Guarantor or any other direct or indirect Subsidiary of Solutia) in bona fide third party transactions. Upon any sale by Solutia of the stock of any Guarantor in a bona fide third party transaction, solely with respect to the Guarantor that is sold, this Guarantee shall automatically terminate and be of no further force or effect. In addition, each Guarantor and the Secured Party hereby confirms that it is such person's intention that the liabilities and obligations of each Guarantor under this Guarantee not constitute a fraudulent conveyance or fraudulent transfer for purposes of (i) Title 11 of the United States Code, (ii) the Uniform Fraudulent Conveyance Act, (iii) the Uniform Fraudulent Transfer Act or (iv) any foreign, federal or state law similar to any of the foregoing statutes, in each case to the extent applicable to this Guarantee and the liabilities and obligations of any Guarantor hereunder. In furtherance of the preceding sentence, each Guarantor and the Secured Party hereby agrees that the liabilities and obligations of each Guarantor under this Guarantee shall be limited to the maximum amount as will result in the liabilities and obligations of each Guarantor under this Guarantee not constituting a fraudulent conveyance or fraudulent transfer under the foregoing laws; *provided* that nothing in this sentence or the preceding sentence shall limit the joint and several nature of the liabilities and obligations of the Guarantors under this Guarantee.
7. Acknowledgement. Each Guarantor acknowledges that, to the extent such Guarantor has or may have rights of subrogation or reimbursement against Solutia for claims arising out of this Guarantee, those rights may be impaired or destroyed if Secured Party elects to proceed against any security interest in any of Solutia's real or personal property by non-judicial foreclosure. Such impairment or destruction could, under certain judicial cases and based on equitable principles of estoppel, give rise to a defense by a Guarantor against its obligations under this Guarantee. Each Guarantor waives such defense and any other defense arising from Secured Party's election to pursue non-judicial foreclosure.
8. Insolvency; Bankruptcy. If Solutia becomes insolvent or is adjudicated bankrupt or files a petition for reorganization, or similar relief under the Bankruptcy Code of 1978, as amended, or if a petition is filed against Solutia and/or any obligation under the Settlement Agreement, the Solutia Deferred Payment Note or the Solutia Deferred NRD

Note is terminated or rejected or any obligation of Solutia is modified or if Solutia's obligations are avoided, none of the Guarantors' liabilities or obligations hereunder will be affected, amended, modified or terminated and all such liabilities and obligations shall continue on the terms and conditions contemplated by this Guarantee. If Secured Party must return any payment because of the insolvency, bankruptcy or reorganization of Solutia, any Guarantor or any other guarantor, this Guarantee will not be affected, amended, modified or terminated in any manner and shall remain in full force and effect or be reinstated, as applicable.

9. Expenses. Each Guarantor shall be jointly and severally liable for the payment of Secured Party's reasonable attorneys' fees and other costs and expenses incurred enforcing this Guarantee.
10. Amendment; Assignment; Miscellaneous. This Guarantee may not be terminated, waived, revoked or amended without Secured Party's prior written consent. If any provision of this Guarantee is unenforceable, all other provisions shall remain in full force and effect. This Guarantee is the entire agreement among the parties about this Guarantee. No prior dealings, no usage of trade, and no parol or extrinsic evidence may supplement or vary this Guarantee. None of the Guarantors may assign this Guarantee without the prior written consent of Secured Party. This Guarantee benefits Secured Party. This Guarantee is in addition to any other guaranties Secured Party obtains.
11. Representations and Warranties. Each Guarantor represents and warrants that (i) it has taken all action necessary to authorize execute, deliver and perform this Guarantee, (ii) execution, delivery and performance of this Guarantee do not conflict with any organizational documents or agreements to which it is party and (iii) this Guarantee is a valid and binding obligation, enforceable against such Guarantor according to its terms.
12. Covenants. Each Guarantor agrees to do all of the following:
  - (a) Maintain its corporate existence, remain in good standing in, and continue to qualify in each jurisdiction in which the failure to qualify could have a material adverse effect on the financial condition, operations or business. Maintain all licenses, approvals and agreements, the loss of which could have a material adverse effect on its financial condition, operations or business; *provided that* Guarantor shall have the right to merge with or into, or enter into any other business combination or reorganization transaction with, any direct or indirect wholly owned Subsidiary of Solutia, subject in all cases to the assumption by the surviving entity in any such merger or other transaction of all of Guarantor's liabilities, duties and obligations under and pursuant to this Guarantee.
  - (b) Comply with all statutes and regulations if non-compliance could materially adversely affect its ability to fulfill obligation under this Guarantee.
  - (c) Execute other instruments and take action Secured Party reasonably requests to effect the purposes of this Agreement.

13. This Guarantee is governed by Delaware law, without regard to conflicts of laws. GUARANTOR WAIVES ITS RIGHT TO A JURY TRIAL OF ANY ACTION ARISING OUT OF THIS GUARANTEE, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, AND ALL OTHER CLAIMS.

Date: [                      ] \_\_, 2007                      [SUBSIDIARY GUARANTORS]

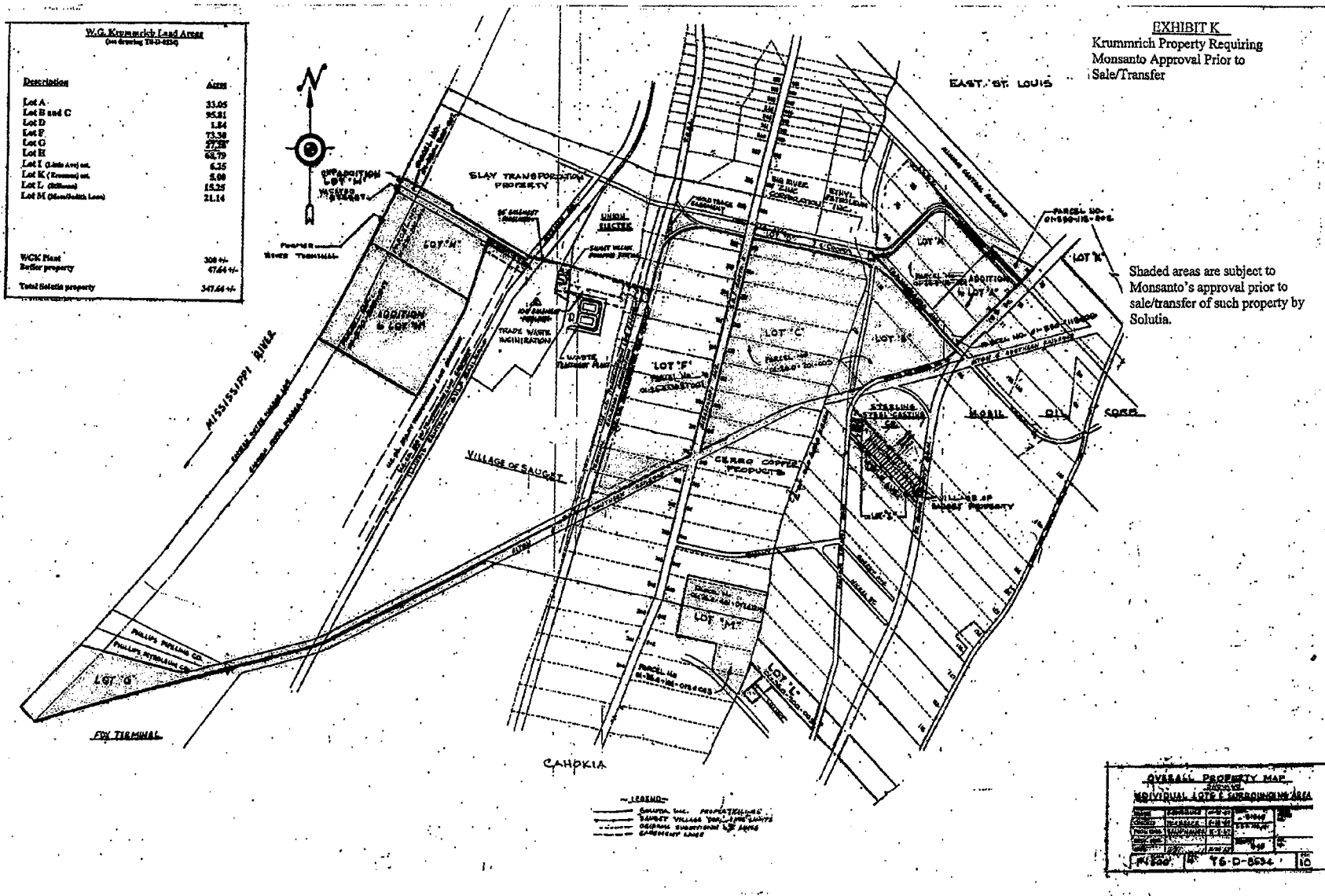
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**EXHIBIT K  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT L**  
**TO MONSANTO SETTLEMENT AGREEMENT**  
**HAS BEEN INTENTIONALLY REMOVED**



**EXHIBIT M1  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT M1**

**PHARMACIA CORPORATION**

**POWER OF ATTORNEY: SETTLEMENT AGREEMENT**

**KNOW ALL MEN BY THESE PRESENTS:**

1. Subject to paragraph 7 below:
  - a. That Pharmacia Corporation, a corporation organized and existing under the laws of the State of Delaware ("Pharmacia"), has made, constituted and appointed and by these presents does make, constitute and appoint Monsanto Company, a corporation organized and existing under the laws of the State of Delaware ("Monsanto"), its true and lawful agent and attorney, for Pharmacia and in Pharmacia's name, place and stead, for all purposes with respect (i) to Pharmacia's rights, duties and obligations under and in relation to the Legacy Tort Claims, Legacy Sites, Certain Waste Sites and the Shared Sites as necessary to enable Monsanto to fulfill its duties and obligations under the Settlement Agreement, dated as of [\_\_\_\_], 2007, between Solutia Inc., Monsanto and SFC LLC (the "Settlement Agreement") and (ii) to Pharmacia's rights, duties and obligations under and in respect to the liabilities for which Solutia is providing Pharmacia an indemnity pursuant to the Indemnification Agreement dated \_\_\_\_\_, 2007 (the "Pharmacia Indemnity") to the extent Monsanto is liable to Pharmacia under the Separation Agreement for such liabilities (the "Pharmacia Indemnity Liabilities"); and its attorney shall have full power and authorization to take all action with respect to the Legacy Tort Claims, Legacy Sites, Certain Waste Sites, the Shared Sites and the Pharmacia Indemnity Liabilities as Pharmacia can take and which said attorney, acting through its officers or their delegates, who in each case, acting alone, in his or her sole discretion, think best; hereby giving and granting to Pharmacia's said attorney full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises as fully to all intents and purposes as Pharmacia might or could do, hereby ratifying and confirming all that its said attorney may do pursuant to this power.
  - b. Pharmacia hereby gives and grants to its said attorney from and after the date hereof, full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises, in order fully to carry out and effectuate the authority herein granted, as fully to all intents and purposes as Pharmacia might or could do if acting through its own officers or delegates, and Pharmacia hereby ratifies and confirms all that its said attorney may do pursuant to this power.
  - c. Pharmacia hereby acknowledges that this power is coupled with an interest and hereby directs that, to the extent authorized or permitted by applicable law, this power of attorney shall not be affected by any merger, reverse merger,

consolidation or Possible Disposition or other change in ownership of Pharmacia or Monsanto. It is Pharmacia's intent that the authority conferred hereby shall be exercisable notwithstanding such corporate changes and that this power of attorney shall, if permitted by applicable law or applicable contract be irrevocable. In the event applicable law in effect at or any time after the execution of this instrument does not authorize or permit the foregoing direction to be effective, and if at any later date, applicable law changes (whether by amendment, court decision, or otherwise), then Pharmacia directs that the foregoing provisions shall thereafter become applicable.

2. Notwithstanding paragraph 7 below, all persons dealing with Pharmacia's said attorney shall be protected in relying upon a copy of this instrument and shall be protected in relying upon the written certificate of Monsanto as to the identity and authority of its officers and their delegates, and/or as to whether any of the persons authorized to act hereunder is unavailable so to act, so as to authorize some other person to act hereunder, and Pharmacia hereby declares that as against it and all persons claiming under it everything which its attorney shall do or cause to be done pursuant hereto shall be valid and effectual in favor of any person claiming the benefit hereof who at the time of the doing thereof shall have relied on any such certification made by Monsanto. If required by applicable law or if Monsanto desires for any reason to do so, an executed copy of this Power of Attorney shall be filed for record with any Governmental Authority or such other place as required by law or where Monsanto thinks best. Pharmacia authorizes Monsanto to make all such filings.
3. Pharmacia hereby further authorizes and empowers its said attorney to substitute and appoint in the place and stead of its said attorney, or to employ agents or sub-agents as Monsanto thinks best, one or more attorney or attorneys to exercise for Pharmacia as its attorney or attorneys any and all of the powers and authorities hereby conferred; and to revoke such appointment or appointments from time to time, and to substitute or appoint any other or others in the place of such attorney or attorneys as Monsanto shall from time to time think fit.
4. All references in this document to "its attorney" or "its said attorney" or "its true and lawful attorney," or similar designations shall refer to Monsanto and each and every person to whom Monsanto delegates such power and also to each and every substitute or successor attorney-in-fact appointed under the terms of this instrument as herein provided.
5. All references in this document to "Governmental Authority" shall mean any federal, state, local, foreign or international court, government department, commission, board, bureau, agency, the New York Stock Exchange, or other regulatory, administrative or governmental authority.
6. Unless otherwise defined in this Power of Attorney, all defined terms in this document shall have the meaning assigned to such terms in the Settlement Agreement.

7. Notwithstanding the appointment by Pharmacia of Monsanto as Pharmacia's agent and attorney as provided in paragraph 1 above, Pharmacia and its said attorney agree that Pharmacia shall have the right, in its sole discretion, to revoke this Power of Attorney, by delivering written notice to Monsanto upon any material breach by Monsanto of its commitments, duties or obligations to Pharmacia under any of (i) this Power of Attorney, (ii) the Settlement Agreement, or (iii) the Separation Agreement, dated as of September 1, 2000, as amended, by and between Pharmacia and Monsanto.
8. This instrument may be executed in any number of counterparts, and all of said counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this \_\_\_\_ day  
of \_\_\_\_\_, 200\_.

PHARMACIA CORPORATION

\_\_\_\_\_  
By:  
Title:

ATTEST:

\_\_\_\_\_

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 200\_, before me the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he/she executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in \_\_\_\_\_, the day and year last above written.

\_\_\_\_\_  
Notary Public in and for said County and State

My Commission expires:

\_\_\_\_\_

**EXHIBIT M2  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT M2**

**PHARMACIA CORPORATION**

**POWER OF ATTORNEY: SETTLEMENT AGREEMENT**

**KNOW ALL MEN BY THESE PRESENTS:**

1. Subject to paragraph 7 below:
  - a. That Pharmacia Corporation, a corporation organized and existing under the laws of the State of Delaware ("Pharmacia"), has made, constituted and appointed and by these presents does make, constitute and appoint Solutia Inc., a corporation organized and existing under the laws of the State of Delaware ("Solutia"), its true and lawful agent and attorney, for Pharmacia and in Pharmacia's name, place and stead, for all purposes with respect to Pharmacia's rights, duties and obligations under and in regards to the Retained Sites and the Shared Sites as necessary to enable Solutia to fulfill its duties and obligations under the Settlement Agreement, dated as of [\_\_\_\_], 200\_, between Solutia, Monsanto Company and SFC LLC (the "Settlement Agreement"); and its attorney shall have full power and authorization to take all action with respect to the Retained Sites and the Shared Sites as Pharmacia can take and which said attorney, acting through its officers or their delegates, who in each case, acting alone, in his or her sole discretion, think best; hereby giving and granting to Pharmacia's said attorney full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises as fully to all intents and purposes as Pharmacia might or could do, hereby ratifying and confirming all that its said attorney may do pursuant to this power.
  - b. Pharmacia hereby gives and grants to its said attorney from and after the date hereof; full power and authority to do and perform all and every act and thing whatsoever necessary to be done in the premises, in order fully to carry out and effectuate the authority herein granted, as fully to all intents and purposes as Pharmacia might or could do if acting through its own officers or delegates, and Pharmacia hereby ratifies and confirms all that its said attorney may do pursuant to this power.
  - c. Pharmacia hereby acknowledges that this power is coupled with an interest and hereby directs that, to the extent authorized or permitted by applicable law, this power of attorney shall not be affected by any merger, reverse merger, consolidation or Possible Disposition or other change in ownership of Pharmacia or Solutia. It is Pharmacia's intent that the authority conferred hereby shall be exercisable notwithstanding such corporate changes and that this power of attorney shall, if permitted by applicable law or applicable contract be irrevocable. In the event applicable law in effect at or any time after the execution of this instrument does not authorize or permit the foregoing direction to be effective, and if at any later date, applicable law changes (whether by

amendment, court decision, or otherwise), then Pharmacia directs that the foregoing provisions shall thereafter become applicable.

2. Notwithstanding paragraph 7 below, all persons dealing with Pharmacia's said attorney shall be protected in relying upon a copy of this instrument and shall be protected in relying upon the written certificate of Solutia as to the identity and authority of its officers and their delegates, and/or as to whether any of the persons authorized to act hereunder is unavailable so to act, so as to authorize some other person to act hereunder, and Pharmacia hereby declares that as against it and all persons claiming under it everything which its attorney shall do or cause to be done pursuant hereto shall be valid and effectual in favor of any person claiming the benefit hereof who at the time of the doing thereof shall have relied on any such certification made by Solutia. If required by applicable law or if Solutia desires for any reason to do so, an executed copy of this Power of Attorney shall be filed for record with any Governmental Authority or such other place as required by law or where Solutia thinks best. Pharmacia authorizes Solutia to make all such filings.
3. Pharmacia hereby further authorizes and empowers its said attorney to substitute and appoint in the place and stead of its said attorney, or to employ agents or sub-agents as Solutia thinks best, one or more attorney or attorneys to exercise for Pharmacia as its attorney or attorneys any and all of the powers and authorities hereby conferred; and to revoke such appointment or appointments from time to time, and to substitute or appoint any other or others in the place of such attorney or attorneys as Solutia shall from time to time think fit.
4. All references in this document to "its attorney" or "its said attorney" or "its true and lawful attorney," or similar designations shall refer to Solutia and each and every person to whom Solutia delegates such power and also to each and every substitute or successor attorney-in-fact appointed under the terms of this instrument as herein provided.
5. All references in this document to "Governmental Authority" shall mean any federal, state, local, foreign or international court, government department, commission, board, bureau, agency, the New York Stock Exchange, or other regulatory, administrative or governmental authority.
6. All references in this document to the "Retained Sites" and the "Shared Sites" shall have the meaning assigned to such terms in the Settlement Agreement.
7. Notwithstanding the appointment by Pharmacia of Solutia as Pharmacia's agent and attorney as provided in paragraph 1 above, Pharmacia and its said attorney agree that Pharmacia shall have the right, in its sole discretion, to revoke this Power of Attorney, by delivering written notice to Solutia upon any material breach by Solutia of its commitments, duties or obligations to Pharmacia under any of (i) this Power of Attorney or (ii) the Settlement Agreement.
8. This instrument may be executed in any number of counterparts, and all of said counterparts shall constitute but one and the same instrument.



IN WITNESS WHEREOF, I have hereunto set my hand and seal this \_\_\_\_\_ day  
of \_\_\_\_\_, 200\_\_.

PHARMACIA CORPORATION

\_\_\_\_\_  
By:  
Title:

ATTEST:  
  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 200\_, before me the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he/she executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in \_\_\_\_\_, the day and year last above written.

\_\_\_\_\_  
Notary Public in and for said County and State

My Commission expires:

\_\_\_\_\_

**EXHIBIT N  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT N**

**FORM OF PHARMACIA INDEMNITY AGREEMENT**

**INDEMNIFICATION AGREEMENT**

This INDEMNIFICATION AGREEMENT (this "Agreement") is made as of \_\_\_\_\_, 2007 (the "Effective Date") by and among Solutia Inc., a Delaware corporation ("Solutia"), and Pharmacia Corporation, a Delaware corporation ("Pharmacia"). Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein and defined in the Settlement Agreement, dated \_\_\_\_\_, 2007, by and among Solutia, Monsanto Company, a Delaware corporation, and SFC LLC, a Delaware limited liability corporation (the "Settlement Agreement") shall be used herein as therein defined. For purposes of this Agreement only, the term "Indemnitee" shall mean the Pharmacia Indemnified Parties.

**RECITALS**

WHEREAS, in connection with the Settlement Agreement and in exchange for the Pharmacia Contribution and the Monsanto Contribution (as each is defined in the Plan), Solutia desires to indemnify the Pharmacia Indemnified Parties for certain Losses.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Indemnification by Solutia.** After the Effective Date, Solutia shall indemnify Pharmacia Indemnified Parties and save and hold each of them harmless against, and pay on behalf of or reimburse Pharmacia Indemnified Parties as and when incurred for any Loss which any Pharmacia Indemnified Party suffers, sustains or becomes subject to, as a result of or arising out of:
  - (a) any Environmental Liability in connection with the Retained Sites;
  - (b) any Environmental Liability in connection with the Shared Sites for which Solutia is liable pursuant to Section 3.04 of the Settlement Agreement;
  - (c) Solutia Tort Claims;
  - (d) failure of Solutia to pay any amounts required to be paid by Solutia (i) pursuant to the Anniston Settlement Agreement as specified in the Anniston Side Letter or (ii) to the education trust fund pursuant to Section VI of the Anniston Consent Decree, or failure of Solutia to honor any other obligation of Solutia under the Anniston Settlement Agreement;
  - (e) the PENNDOT Case; provided, that in no event shall Solutia be required to indemnify Monsanto Indemnified Parties or Pharmacia Indemnified Parties in respect of any Losses suffered by Monsanto Indemnified Parties or Pharmacia

Indemnified Parties described in this clause (e) to the extent the aggregate amount of all such Losses exceeds \$20 million; and

- (f) the Chemicals Liabilities; provided, that in no event shall Solutia be required to indemnify Pharmacia Indemnified Parties in respect of any Losses suffered by Pharmacia Indemnified Parties described in this clause (f) to the extent that (i) Monsanto agreed to indemnify Solutia Indemnified Parties for such Losses pursuant to Section 5.02 of the Settlement Agreement or (ii) such Losses relate to "claims" (as defined in section 101(5) of the Bankruptcy Code) that are not satisfied in full under the Plan arising in connection with or related to Pharmacia's or Solutia's non-qualified plans or arrangements at issue in *Miller v. Pharmacia Corporation*, Case No. 4:04CV981.

If and to the extent any provision of this Section 1 is unenforceable for any reason, Solutia hereby agrees to make the maximum contribution to the payment and satisfaction of the Loss for which indemnification is provided for in this Section 1 that is permissible under applicable laws.

- 2. Manner of Payment. Any indemnification owing pursuant to this Agreement shall be effected by wire transfer of immediately available funds from Solutia to an account designated in writing by the Indemnitee within fifteen (15) days after the final determination of the amount thereof pursuant to this Agreement. The amount of any Losses for which indemnification is provided under this Agreement shall be computed net of any third-party insurance proceeds and recoveries in respect of third party indemnification obligations actually received by the Indemnitee in connection with such Losses. The Indemnitee shall use its commercially reasonable efforts to obtain recovery in respect of any Losses from any insurer or other third party indemnity which is available in respect of such Losses. If an Indemnitee receives such insurance proceeds or indemnification recoveries in connection with Losses for which it has received indemnification, such party shall refund to Solutia the amount of such insurance proceeds or recovery when received, up to the amount of indemnification received.
- 3. Indemnification Claims. Any indemnification claim which is not a result of a third party claim shall be asserted by written notice given by the Indemnitee to Solutia. Solutia shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If Solutia does not respond within such 30-day period, it shall be deemed to have rejected such claim in whole. If Solutia does not respond within such 30-day period or rejects such claim in whole or in part, the Indemnitee shall be free to pursue such remedies as may be available to such party under Section 6.
- 4. Third Party Claims.
  - (a) If there occurs an event which an Indemnitee asserts is an indemnifiable event pursuant to this Agreement, the Indemnitee shall notify Solutia promptly in writing specifying the facts constituting the basis for such claim and the amount, to the extent known, of the claim asserted. If such event involves (i) any claim by a Person other than the Indemnitee or (ii) the commencement of any Proceeding by a Person other than the Indemnitee (such claim or Proceeding hereinafter referred to

as a "Third Party Claim"), the Indemnatee shall give Solutia prompt written notice of such Third Party Claim or the commencement of such Proceeding; provided that the failure to provide prompt notice as provided herein (whether with respect to a Third Party Claim or otherwise) will relieve Solutia of its obligations hereunder only to the extent that such failure prejudices Solutia hereunder. In case any such Third Party Claim shall be brought against any Indemnatee, it shall notify Solutia of the commencement thereof promptly in writing specifying the facts constituting the basis for such claim and the amount, to the extent known, of the claim asserted.

- (b) Solutia shall be entitled to participate in the defense of any Third Party Claim and to assume the defense thereof, with counsel selected by Solutia; provided that Solutia notifies the Indemnatee in writing of its election to assume such defense within twenty (20) Business Days of receipt of notice from the Indemnatee of such Third Party Claim. After notice from Solutia to the Indemnatee of such election so to assume the defense thereof, Solutia shall not, except as provided in the next sentence, be liable to the Indemnatee for any legal expenses of other counsel or any other expenses subsequently incurred by such party or parties in connection with the defense thereof. Notwithstanding Solutia's election to so assume the defense of any such Third Party Claim, the Indemnatee shall have the right to employ separate counsel (including local counsel) and participate in (but not control) such defense; provided that Solutia shall bear the reasonable fees and expenses of such separate counsel only if (x) the defendants in any such Proceeding include both the Indemnatee and Solutia and the Indemnatee has legal defenses available to it which are different from or additional to those available to Solutia; provided further that, in each case, with respect to each Indemnatee in such circumstance, Solutia shall not be required to bear the fees and expenses of more than one firm of attorneys plus one firm of local counsel in each jurisdiction where the primary counsel is not admitted to practice and where local counsel is necessary, or (y) counsel for Solutia shall authorize in writing the Indemnatee to employ separate counsel at the expense of Solutia.
- (c) Solutia and the Indemnatee agree to cooperate fully with each other and their respective counsel in connection with the defense, negotiation of settlement or settlement of any such Third Party Claim, including providing access to any relevant books and records, properties, employees, representatives and advisors (regardless of whether Solutia has assumed the defense thereof). If Solutia assumes the defense of a Third Party Claim, no settlement or compromise thereof may be effected (x) by Solutia without the written consent of the Indemnatee (which consent shall not be unreasonably withheld or delayed) unless (1) there is no finding or admission of any violation of law or any violation of the rights of any Person by any Indemnatee and no adverse effect on any other third party claims that may be made against any Indemnatee and (2) it involves solely the payment of monetary damages and all relief provided is paid or satisfied in full by Solutia or (y) by the Indemnatee without the consent of Solutia, except to the extent it involves only equitable or other non-monetary relief not binding on any party other than the Indemnatee and ten (10) Business Days prior written notice is

given to Solutia. If Solutia elects not to assume the defense of a Third Party Claim, the Indemnatee shall defend such Third Party Claim with counsel selected by the Indemnatee, and Solutia shall bear reasonable fees and expenses of such counsel. In no event shall Solutia be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed).

5. Subrogation. In the event of payment by Solutia to an Indemnatee in connection with any Third Party Claim, Solutia shall be subrogated to and shall stand in the place of the Indemnatee as to any events or circumstances in respect of which the Indemnatee may have any right or claim relating to such claim against any claimant or plaintiff asserting such claim. The Indemnatee shall cooperate with Solutia in a reasonable manner, and at the cost and expense of Solutia, in prosecuting any subrogated right or claim, including permitting Solutia to bring suit against such third party in the name of the Indemnatee.
6. Dispute Resolution.
  - (a) Agreement to Arbitrate. Except as otherwise specifically provided in this Agreement, the procedures for discussion, negotiation and arbitration set forth in this Section 6 shall apply to all disputes, controversies or claims (whether in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement, the interpretation hereof and/or the rights, interests, duties, obligations and liabilities of Pharmacia, Solutia or any Indemnatee hereunder. Each party agrees that this Section 6 shall provide the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any action or proceeding in or before any Governmental Authority or court, except as expressly provided in Section 6(b) and except to the extent provided under the Arbitration Act in the case of judicial review of arbitration results or awards.
  - (b) Bankruptcy Court Jurisdiction. Notwithstanding anything to the contrary contained in this Agreement, for so long as the Solutia Chapter 11 Case remains open, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to disputes arising in connection with the interpretation, implementation or enforcement of this Agreement as provided for in the Plan.
  - (c) Procedures.
    - (i) Any party hereto alleging that there exists a dispute or disagreement regarding the matters covered hereby shall notify in writing the other parties hereto of such alleged dispute or disagreement (the "Dispute Notice"). The parties shall attempt to resolve such alleged dispute or disagreement through good faith negotiations among the members of management of each party designated by each party promptly following the sending or the receipt, as applicable, of a Dispute Notice. If the parties hereto shall fail to resolve such alleged dispute or disagreement within sixty (60) days from the date of the Dispute Notice, then any party

involved in such a dispute or disagreement shall have the right to deliver to the other parties involved in such dispute or disagreement an Escalation Notice requiring a meeting (which may be in person or telephonic) of the CEOs of each such party, who shall meet (either in person or telephonically) within twenty (20) days of the delivery of the Escalation Notice to such other parties to seek to resolve such dispute or disagreement. If such dispute or disagreement has not been resolved within twenty (20) days of the date of such meeting between the CEOs, then any party involved in such dispute or disagreement shall have the right to commence an arbitration in accordance with the provisions of this Section 6(c).

- (ii) The arbitration shall be held in St. Louis, MO or such other place as the parties to the arbitration proceeding shall otherwise agree in writing.
- (iii) The arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules of the AAA in effect on the date of the commencement of the arbitration. Each Party shall nominate one arbitrator and the two arbitrators so appointed shall attempt to agree on the appointment of a third arbitrator. If they are unable to so agree within thirty (30) days after the second arbitrator is appointed, the third arbitrator shall be appointed by AAA.
- (iv) The decision of the panel of arbitrators shall be final, binding and incontestable and may be used as a basis for judgment thereon in any jurisdiction. Such decision shall include a determination as to which of the parties shall bear the costs of the arbitration proceeding.
- (v) The parties hereby expressly agree to waive the right to appeal from the decision of the arbitrators. Accordingly, there shall be no appeal to any court or other authority (government or private) from the decision of the arbitrators, and the parties shall not dispute nor question the validity of such award before any regulatory or other authority in any jurisdiction where enforcement action is taken by the party or parties in whose favor the award was rendered.
- (vi) Notwithstanding the foregoing, any party may at any time without regard to any notice periods required by the provisions hereof (whether before, during or after arbitration), and as often as is necessary or appropriate, seek provisional or interim relief (including, without limitation, to the extent available under applicable law, a temporary restraining order, preliminary injunction and/or pre-judgment attachment) in a court of law.
- (vii) The commencement and pendency of an arbitration under this Section 6(c) shall not relieve any of the parties of their respective obligations under this Agreement.



(viii) The provisions of this Section 6 shall survive the termination of this Agreement.

7. Miscellaneous.

- (a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (other than the laws regarding choice of laws and conflicts of laws) as to all matters, including matters of validity, construction, effect, performance and remedies.
- (b) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person or by facsimile (provided confirmation is delivered to the recipient the next day in the case of facsimile), by nationally recognized overnight courier, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Solutia:           General Counsel  
                              Solutia Inc.  
                              575 Maryville Centre  
                              St. Louis, MO 63141  
                              Telephone: \_\_\_\_\_  
                              Facsimile: (314) 674-8703

with a copy (which shall not constitute notice) to:

Jonathan S. Henes/Thomas W. Christopher  
Kirkland & Ellis LLP  
153 East 53<sup>rd</sup> Street  
New York, NY 10022  
Telephone: 212-446-4800  
Facsimile: 212-446-4900

If to Pharmacia:       General Counsel  
                              Pharmacia Corporation  
                              1751 Lake Cook Road  
                              Arbor Lake Center  
                              Suite 300  
                              Deerfield, IL 60015  
                              Telephone: 847-945-5870  
                              Facsimile: \_\_\_\_\_

with a copy (which shall not constitute notice) to:

John H. Bae  
Cadwalader, Wickersham & Taft LLP  
One World Financial Center  
New York, NY 10281

Telephone: 212-504-6000

Facsimile: 212-504-6666

or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section 7(b).

- (c) Amendment and Modification. This Agreement may be amended, modified or supplemented only by a written agreement signed by all of the parties hereto.
- (d) Successors and Assigns; No Third Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, but, neither this Agreement nor any of the rights, interests and obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties; provided, that in the event of a Sale of any party hereto, such party shall assign all of its rights, interests, duties, obligations and/or liabilities under this Agreement to the acquirer of or successor to such party in such Sale and shall cause such acquirer or successor to accept the assignment of the rights and interests, and to assume the duties, obligations and liabilities, under this Agreement.. Except for the provisions of this Agreement relating to Indemnitees, which are also for the benefit of the Indemnitees, this Agreement is solely for the benefit of the parties hereto and is not intended to confer upon any other Persons any rights or remedies hereunder.
- (e) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- (f) Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Each party acknowledges that money damages would be an inadequate remedy for any breach of the provisions of this Agreement and agrees that the obligations of the parties hereunder shall be specifically enforceable.
- (g) Complete Agreement. This Agreement shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall supercede all previous negotiations, commitments and writings with respect to such subject matter.
- (h) Subsidiary Guarantees. The indemnification obligations of Solutia pursuant to this Agreement shall be guaranteed by certain domestic subsidiaries of Solutia pursuant to the agreement set forth on Exhibit \_\_\_; provided, that, notwithstanding anything to the contrary in this Section 7(h), such guarantee shall in no event limit in any way whatsoever Solutia's ability to (a) obtain any financing or refinancing

(and such guarantee shall be subordinated on customary terms to, but not terminated by, any guarantee required in connection with any financing or refinancing) or (b) acquire or sell any assets or businesses of Solutia (including the stock of any direct or indirect subsidiary of Solutia), in each case in bona fide arm's length third party transactions. Upon any sale by Solutia of the stock of a direct or indirect subsidiary that has executed such a guarantee in a bona fide arm's length third party transaction, the guarantee provided by such subsidiary pursuant to this Section 7(h) shall automatically terminate and be of no further force or effect.

\* \* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on the day and year first above written.

SOLUTIA INC.

By: \_\_\_\_\_  
Name:  
Title:

PHARMACIA CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT O1  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT 01**  
**FORM OF**  
**CERTIFICATE OF FORMATION**  
**OF**  
**SFC LLC**

This Certificate of Formation of SFC LLC (the "Funding Co.") has been duly executed and is being filed by the undersigned, as an authorized person, to form a limited liability company under the Delaware Limited Liability Act (6 Del. C. § 18-201, et. seq.).

FIRST. The name of the limited liability company formed hereby is SFC LLC.

SECOND. The address of the registered office of Funding Co. in the State of Delaware is c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.

THIRD. The name and address of the registered agent for service of process on the LLC in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Formation as of this \_\_\_\_ day of \_\_\_\_\_, 2007.

By: /s/ \_\_\_\_\_  
Name:  
Title:

**EXHIBIT O2  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT O2**

**FORM OF**

**LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**SFC LLC**

**DATED AS OF [ \_\_\_\_\_ ], 2007**



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**SCHEDULE 1. MEMBER AND MANAGER INFORMATION**

**SCHEDULE 2. FORM OF MANAGER AGREEMENT**

**EXHIBIT A. SETTLEMENT AGREEMENT**

THIS LIMITED LIABILITY COMPANY AGREEMENT dated as of [ \_\_\_\_ ], 2007, (this "Agreement"), is adopted, executed and agreed to, for good and valuable consideration, by SFC LLC (the "Company") and the undersigned Members. Certain terms used herein are defined in Appendix A attached hereto.

## ARTICLE I

### GENERAL PROVISIONS; CAPITAL CONTRIBUTIONS; DEFINITIONS

Section 1.1 Formation. The formation of the Company pursuant to and in accordance with the Delaware Limited Liability Company Act, 6 Del. C. §18-101, et seq., as amended from time to time (the "Act"), occurred on [date]. An authorized person, within the meaning of the Act, has executed, delivered and filed the certificate of formation of the Company (which certificate of formation as amended from time to time is referred to as the "Certificate"). Upon the undersigned Member's (i) execution of this Agreement or a counterpart hereof and (ii) making of the capital contributions required by Section 1.9, such Member shall be admitted to the Company as its sole initial member (the "Sole Member").

Section 1.2 Name. The name of the Company will be "SFC LLC" or such other name as the Board of Managers may from time to time designate.

Section 1.3 Purpose. (a) The sole purposes of the Company are:

(i) to acquire, own, hold, invest, safekeep and distribute the Deposited Property, as expressly permitted by and in accordance with the terms of the Settlement Agreement;

(ii) to execute, deliver and perform its obligations under the Settlement Agreement and the Services Agreement; and

(iii) to engage in any lawful act or activity and to exercise any powers permitted to limited liability companies organized under the laws of the State of Delaware that are necessary for the accomplishment of the purposes set forth in clauses (i) and (ii) of this Section 1.3(a).

(b) The Company, by or through any of its Managers acting on behalf of the Company, may enter into and perform its obligations expressly permitted by the Settlement Agreement and all documents, agreements or certificates contemplated thereby or related thereto, all without any further act, vote or approval of any Member or any of its Managers or officers.

Section 1.4 Powers. Subject to Section 1.5, the Company, and the Board of Managers on behalf of the Company shall have and exercise all powers and rights conferred upon or permitted of limited liability companies formed pursuant to the Act that are necessary to the accomplishment of its purposes as set forth in Section 1.3.

Section 1.5 Limitations on the Company's Powers.

(a) Except for Permitted Obligations, the Company shall not incur, assume, guarantee or suffer to exist any indebtedness or other liability or obligation until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied.

(b) Until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied, the Company shall not, and the Members and Managers shall not take any action to, amend, alter, change or repeal this Agreement, any of the definitions set forth in Appendix A hereto or Schedule 1 of this Agreement without the unanimous written consent of the Board of Managers (including the affirmative vote of the Independent Manager) and Monsanto and any purported amendment without such consent shall be null and void.

(c) Notwithstanding any other provision of this Agreement and any provision of law that otherwise so empowers the Company, the Members or the Board of Managers, until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied, the Company shall not be authorized or empowered, nor shall the Members or the Board of Managers permit the Company to take any action in violation or contravention of the Settlement Agreement or fail to take any action expressly required by the Settlement Agreement.

(d) Until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises and comply with applicable law. The Company shall also:

- (1) maintain its own separate books and records and bank accounts;
- (2) at all times hold itself out to the public and all other Persons as a legal entity separate from any other Person;
- (3) have its own Board of Managers;
- (4) not commingle its assets with assets of any other Person and maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person, and not have its assets listed on any financial statements of any other Person; provided, however, that the Company's assets may be included in a consolidated financial statement of any of its Affiliates (as required under US GAAP) provided that appropriate notation is made on such consolidated financial statements to indicate the separateness of the Company from such Affiliate and to indicate that the Company's assets and credit are not available to satisfy debts and other obligations of such Affiliate or any other Person;

- (5) conduct its business in its own name and strictly comply with all organizational formalities to maintain its separate existence;
- (6) pay its own liabilities, obligations and indebtedness only out of its own funds;
- (7) maintain an arm's length relationship with its Affiliates and members;
- (8) not hold out its credit or assets as being available to satisfy the liabilities, obligations or indebtedness of others;
- (9) allocate fairly and reasonably any overhead for shared operating expenses;
- (10) not pledge its assets for the benefit of any other Person;
- (11) correct any known misunderstanding regarding its separate identity;
- (12) cause its Board of Managers to meet or act pursuant to written consent as necessary to carry out the purposes for which the Company was formed and observe all other Delaware limited liability company formalities;
- (13) not consolidate or merge the Company with or into any Person, or sell any of the material assets of the Company, and
- (14) not acquire any securities of any of its Members.

(e) Notwithstanding any other provision of this Agreement and any provision of law that otherwise so empowers it, until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied, no Member shall sell, transfer, pledge or otherwise permit the imposition of a lien on its ownership interest in the Company without the prior unanimous consent of the Board of Managers and Monsanto.

Section 1.6 Material Actions. Until there are no longer outstanding any Permitted Obligations and all Permitted Obligations have been fully and finally satisfied, no Person or Persons (including the Board of Managers), acting alone or together, shall be authorized or empowered, nor shall any of them permit the Company to, without the prior unanimous written consent of all the Managers (including the Independent Manager), take any Material Action, it being understood that any Material Action taken without obtaining such unanimous written consent shall, to the fullest extent permitted by law, be null and void *ab initio*.

Section 1.7 Members. The name and the mailing address of the Sole Member is set forth on Schedule 1 attached hereto. The Board of Managers shall amend from time to time Schedule 1 to reflect any addition, resignation, withdrawal or termination of the Members. Subject to Section 1.5, Members may act by written consent.

Section 1.8 Registered Office; Registered Agent; Place of Business. The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the office of the initial Registered Agent named in the Certificate (the "Registered Agent") or such other office (which need not be a place of business of the Company) as the Board of Managers may designate from time to time in the manner provided by law. The Registered Agent of the Company in the State of Delaware shall be the initial Registered Agent named in the Certificate or such other person or persons as the Board of Managers may designate from time to time in the manner provided by law. The Company may maintain a chief executive office and principal place of business at such place or places inside or outside the State of Delaware as the Board of Managers may designate from time to time.

Section 1.9 Capital Contributions.

(a) Promptly following the execution of this Agreement, Solutia shall contribute to the Company the amount set forth on Schedule 1, in exchange for which Solutia shall receive the sole Member interest in the Company. The Sole Member is not required to make any additional capital contribution to the Company and may only make or be deemed to have made, as additional capital contributions, those amounts that are permitted to be made to the Company as contributions pursuant to the terms of the Settlement Agreement. Any Person hereafter admitted as a Member of the Company shall make such contributions of cash to the Company as shall be determined by the Board of Managers at the time of each such admission. The Persons hereafter admitted as Members of the Company shall not be required to make any additional capital contribution to the Company and may only make additional capital contributions to the Company upon the written consent of each of the other Members on the Board of Managers. All such additional contributions shall take the form of a cash transfer. The Board of Managers shall amend Schedule 1 from time to time to reflect any capital contribution made by any Member. The provisions of this Agreement, including this Section 1.9, are intended solely to benefit the Members, and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor of the Company shall be a third-party beneficiary of this Agreement) and no Member shall have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

(b) No Member shall have any responsibility to restore any negative balance in such Member's Capital Account or to contribute to or in respect of liabilities or obligations of the Company, whether arising in tort, contract or otherwise, or return distributions made by the Company except as required by the Act or other applicable law. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

(c) No interest shall be paid by the Company on capital contributions or on balances in Capital Accounts.

(d) A Member shall not be entitled to withdraw any part of its Capital Account or to receive any distributions from the Company except as provided in Articles III and VI; nor shall a Member be entitled to make any capital contribution to the Company other than as expressly provided herein.

Section 1.10 Term. The Company shall continue in existence until dissolved and terminated in accordance with the Settlement Agreement and Article VI of this Agreement.

Section 1.11 Limited Liability. Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and neither any Member nor any Manager of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Manager of the Company.

Section 1.12 No State-law Partnership. The Member(s) intend that the Company be treated as a disregarded entity for tax purposes and that the Company not be a partnership (including a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member, for any purposes other than U.S. federal and, if applicable, state tax purposes, and neither this Agreement nor any other document entered into by the Company or any Member shall be construed to suggest otherwise. The Member(s) intend that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Section 1.13 Execution, Delivery and Filing of Certificates. [ ] is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of Formation with the Delaware Secretary of State. Upon the execution of this Agreement by the Sole Member, such Person's powers as an "authorized person" ceased, and each Manager named herein shall become a designated "authorized person" and shall continue as the designated "authorized person" within the meaning of the Act.

Section 1.14 Existence of the Company. The existence of the Company as a separate legal entity shall continue in accordance with the Settlement Agreement and Article VI hereof until cancellation of the Certificate of Formation as provided in the Act.

Section 1.15 No Petition. Neither Solutia nor Monsanto shall, or shall permit any of their respective subsidiaries (other than, in the case of Solutia, SFC LLC itself) to, prior to the date that is two years and one day after the full and final satisfaction by SFC LLC of all of the Permitted Obligations, acquiesce, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against SFC LLC under any Insolvency Law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of SFC LLC or any substantial part of its property, or ordering the winding up or liquidation of the affairs of SFC LLC.



ARTICLE II  
CAPITAL ACCOUNTS

Section 2.1 Capital Accounts. A "Capital Account" will be established for each Member on the books of the Company and will be adjusted as follows:

(a) Such Member's contributions to the capital of the Company will be credited to such Member's Capital Account when received by the Company from or on behalf of such Member.

(b) At the end of each fiscal year of the Company and upon dissolution and winding up of the Company pursuant to Article VI, Profits for such period allocated to such Member pursuant to Section 3.2 shall be credited and Losses for such period allocated to such Member pursuant to Section 3.2 shall be debited, as the case may be, to such Member's Capital Account.

(c) Any amounts distributed to such Member will be debited against such Member's Capital Account.

(d) Such Member's Capital Account will otherwise be adjusted in accordance with Treas. Reg. 1.704-1(b)(2)(iv).

Section 2.2 Computation of Amounts. For purposes of computing the amount of any item of income, gain, loss, deduction or expense to be reflected in Capital Accounts, the determination, recognition and classification of each such item shall be the same as its determination, recognition and classification for federal income tax purposes; provided that

(a) any income that is exempt from Federal income tax shall be added to such taxable income or losses and any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), shall be subtracted from such taxable income or losses;

(b) if the Book Value of any Company property is adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(e) (in connection with a distribution of such property) or (f) (in connection with a revaluation of Capital Accounts), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property; and

(c) if property that is reflected on the books of the Company has a Book Value that differs from the adjusted tax basis of such property, depreciation, amortization and gain or loss with respect to such property shall be determined by reference to such Book Value.

Section 2.3 Distribution in Kind. If property is to be distributed in kind to the Member(s) pursuant to this Agreement, (i) the value of such property shall first be adjusted pursuant to Section 2.2(b) to its value (as determined pursuant to Article VII as of the date of such distribution), (ii) the Capital Accounts of the Member(s) shall be adjusted immediately prior to the distribution as if such property were sold at its value (as so determined) and (iii) the value

of such property (as so determined) received by each Member shall be debited against such Member's respective Capital Account at the time of distribution.

### ARTICLE III. DISTRIBUTIONS AND ALLOCATIONS

Section 3.1 Distributions. Distributions of cash or other assets of the Company shall be made only at such times, only in such amounts and only in such manner as expressly permitted by the Settlement Agreement. Unless otherwise expressly required by the Settlement Agreement, distributions to Members shall be made pro rata based on the Percentage Interests held by each of the Members. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of such Member's interest in the Company (i) if such distribution would violate Section 18-607 of the Act or other applicable law or (ii) except as expressly permitted by the Settlement Agreement, until all Permitted Obligations have been fully and finally satisfied.

Section 3.2 Allocation of Profits and Losses. Except as may be required by the Code, each item of income, gain, loss, deduction or expense to the Company shall be allocated among the Member(s) in proportion to the Percentage Interests held by each Member.

### ARTICLE IV MANAGEMENT AND MEMBER RIGHTS

Section 4.1 Management Authority. (a) Subject to Sections 1.5 and 1.6 of this Agreement, the business and affairs of the Company shall be managed by or under the direction of a board of managers (each a "Manager" and collectively the "Board of Managers") consisting of one (1) or more Managers. The Managers shall be appointed by the Sole Member. Until the date that is two years and one day from the date upon which the Permitted Obligations have been fully and finally satisfied, the Board of Managers shall include an Independent Manager appointed pursuant to Section 4.1(d). Each Manager elected, designated or appointed shall hold office until a successor is elected and qualified or until such Manager's earlier death, incompetence, resignation or removal. Managers need not be Members.

(b) Subject to Sections 1.3, 1.5 and 1.6 of this Agreement, the Board of Managers shall have the power to do any and all acts necessary to or for the furtherance of the purposes set forth in Section 1.3, including all powers, statutory or otherwise. Subject to Sections 1.5 and 1.6 and the Settlement Agreement, the Board of Managers and any individual Manager authorized by the Board of Managers shall have the authority to bind the Company in any manner expressly permitted by the Settlement Agreement and in compliance with the terms thereof. No Member, unless such Member is also a Manager and acts in its capacity as Manager, shall have any authority to act for or bind the Company but shall have only the right to vote on or approve the actions herein specified to be voted on or approved by the Members or as otherwise specified in the Act.

(c) Subject to Section 1.5 of this Agreement, so long as the Permitted Obligations are outstanding, the Company shall not be authorized or empowered, nor shall the Members or the Board of Managers permit the Company, to take the following actions:

(i) the lease, exchange, mortgage, pledge, or other transfer or disposition of any of the assets of the Company except as expressly permitted by the Settlement Agreement;

(ii) to the fullest extent permitted by law, engage in any dissolution, liquidation, consolidation, merger or transfer of ownership interests other than such activities as are expressly required by the Settlement Agreement;

(iii) any amendment to the Certificate or this Agreement;

(iv) the incurrence of indebtedness by the Company (or the guarantee of indebtedness of any other Person) except as expressly required by the Settlement Agreement;

(v) any transaction involving an actual or potential conflict of interest between a Manager and the Company; or

(vi) a change in the nature of the business of the Company.

(d) Until the date that is two years and one day from the date upon which the Permitted Obligations have been satisfied in full, the Company shall at all times have at least one Independent Manager who shall be appointed by the Members. Notwithstanding anything to the contrary in this Agreement, to the fullest extent permitted by law, including Section 18-1101(c) of the Act, the approval of the Independent Manager shall be required for any action referred to in Section 1.5(d) and the Independent Manager shall consider the interests of the Company and its creditors in acting or otherwise voting on the matters referred to in Section 1.5(d). No appointment of an Independent Manager shall be effective unless and until such Independent Manager shall (i) have accepted his or her appointment as an Independent Manager by a written instrument (which may be a counterpart signature page to the Independent Manager Agreement attached hereto as Schedule 2), and (ii) have executed such other documents and instruments, including a counterpart to this Agreement, as shall be required by the Sole Member in its sole discretion, and no resignation or removal of an Independent Manager and no appointment of a successor Independent Manager shall be effective until such successor shall have satisfied the requirements of such clauses (i) and (ii). In the event of a vacancy in the position of Independent Manager, the Member shall, as soon as practicable, appoint a successor Independent Manager. All right, power and authority of the Independent Managers shall be limited to the extent necessary to exercise those rights and perform those duties specifically set forth in this Agreement. Except as provided in the second sentence of this Section 4.1(d), in exercising their rights and performing their duties under this Agreement, any Independent Manager shall have a fiduciary duty of loyalty and care similar to that of a director of a business corporation organized under the General Corporation Law of the State of Delaware. No Independent Manager shall at any time serve as trustee in bankruptcy for any Affiliate of the Company.

(e) The Board of Managers may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board of Managers may be held at such time and at such place as shall from time to time be determined by the Board

of Managers. Special meetings of the Board of Managers may be called by any one or more of the Managers on not less than one (1) day's notice to each Manager by telephone, facsimile, mail, telegram or any other means of communication.

(f) At all meetings of the Board of Managers, a majority of the Managers shall constitute a quorum for the transaction of business and, except as otherwise provided in any other provision of this Agreement, the act of a majority of the Managers present at any meeting at which there is a quorum shall be the act of the Board of Managers. If a quorum shall not be present at any meeting of the Board of Managers, the Managers present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting if all members of the Board of Managers, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Managers.

(g) Managers may participate in meetings of the Board of Managers, by means of telephone conference or similar communications equipment that allows all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting and shall be counted for purposes of determining whether a quorum exists. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

(h) The Managers may be paid their expenses, if any, of attendance at meetings of the Board of Managers.

(i) Unless otherwise restricted by law, any Manager or the entire Board of Managers, may be removed, with or without cause, at any time by the unanimous action of the Members, and any vacancy caused by any such removal may be filled by unanimous action of the Members.

(j) Subject, in the case of the Independent Manager, to Section 4.1(d) of this Agreement, in exercising the rights and performing the duties of Managers under this Agreement, each Manager shall have a fiduciary duty of loyalty and care similar to that of a director of a business corporation organized under the General Corporation Law of the State of Delaware.

#### Section 4.2 Indemnification.

(a) Neither a Member, a Manager nor any Affiliate of a Member or Manager shall be liable, responsible or accountable in damages or otherwise to the Company or the Members for any act or omission by any such Person performed in good faith pursuant to the authority granted to such Person by this Agreement or in accordance with its provisions, and in a manner reasonably believed by such Person to be within the scope of the authority granted to such Person and in, or not opposed to, the best interest of the Company; provided that such act or omission did not constitute fraud, willful misconduct, gross negligence or bad faith.

(b) The Company shall indemnify and hold harmless the Company's employees, Members, Managers and each director, officer, partner and employee thereof, against any liability, loss, damage, cost or expense incurred by any of them on behalf of the Company or in furtherance of the Company's interests, to the fullest extent permitted by applicable law, without relieving any such Person of liability for fraud, willful misconduct, gross negligence or bad faith. Notwithstanding the foregoing, any indemnity under this Section by the Company shall be provided for to the extent of Company assets only and no Member or Manager shall have any personal liability with respect to the satisfaction of any required indemnification of the above-mentioned Persons.

(i) Any indemnification required to be made by the Company shall be made promptly following the fixing of the liability, loss, damage, cost or expense incurred or suffered by a final judgment of any court, settlement, contract or otherwise. In addition, the Company may advance funds to a Person claiming indemnification for legal expenses and other costs incurred as a result of a legal action brought against such Person only if (i) the legal action relates to the performance of duties or services by the Person on behalf of the Company, (ii) the legal action is initiated by a party other than a Member, and (iii) such Person undertakes to repay the advanced funds to the Company if it is determined that such Person is not entitled to indemnification pursuant to the terms of this Agreement.

(ii) The termination of any action or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that (A) the Person being indemnified hereunder did not act in good faith and in a manner which the Person reasonably believed, in the case of conduct in the Person's official capacity, to be in the Company's best interests and in all other cases, to be at least not opposed to the Company's best interests, or (B) with respect to any criminal proceeding, that the Person had reasonable cause to believe that the conduct was lawful.

(iii) Without the necessity of entering into an express contract, all rights to indemnification and advances under this Agreement shall be deemed to be contractual rights and be effective to the same extent as if provided for in a contract between the Company and the Person seeking indemnification. Any right to indemnification or advances granted by this Agreement shall be enforceable by or on behalf of the Person holding such right in any court of competent jurisdiction, if (A) the claim for indemnification or advances is denied, in whole or in part, or (B) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be also be entitled to be paid the expense of prosecuting a claim for indemnification. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action or proceeding in advance of its final disposition when the required affirmation and undertaking have been tendered to the Company) that the claimant has not met the standards of conduct which make it permissible for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company to have made a determination prior to the commencement of such action that indemnification of the

claimant is proper in the circumstances because the claimant has met the applicable standard of conduct, nor an actual determination by the Company that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(iv) The rights conferred on any Person by this Agreement shall not be exclusive of any other right which such Person may have or hereafter acquire under any statute, agreements or otherwise, both as to action in the Person's official capacity and as to action in any other capacity.

(v) The rights conferred on any Person by this Section shall continue to inure to the benefit of any person who has ceased to be a Member, Manager or employee of the Company.

(vi) Any repeal of this Section or of the Agreement shall only be prospective, and no repeal or modification hereof shall adversely affect the rights under this Agreement in effect at the time of the alleged occurrence of any conduct.

(vii) If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, the Company shall indemnify each Person to whom indemnification is available to the fullest extent permitted by any applicable portion of this Agreement that shall not have been invalidated, or by any other applicable law.

(c) Each Member agrees to defend, indemnify and hold the other Members and the Company harmless from and against any claim, expense or liability arising out of or relating to any breach of the Member's obligations under this Agreement or the Act, or the Member's fiduciary obligations to the other Members and the Company.

## ARTICLE V MEMBERS

### Section 5.1 Transfer of the Company Interest.

(a) Subject to Section 5.3, no Member shall sell, assign, transfer or otherwise dispose of (directly or indirectly), whether voluntarily or involuntarily or by operation of law (a "Transfer"), all or any portion of such Member's interest in the Company without the prior written consent of the Board of Managers and Monsanto, which consent may be given or withheld in its sole discretion. No Member shall pledge or otherwise encumber all or any portion of such Member's interest in the Company, without the prior written consent of the Board of Managers and Monsanto, which consent may be given or withheld in its sole and absolute discretion.

(b) Notwithstanding any other provision of this Agreement, any Transfer by the Members in contravention of any of the provisions of this Section 5.1 shall be void and ineffective, and shall not bind, or be recognized by, the Company.

(c) If and to the extent any Transfer of an interest in the Company is made pursuant to and in accordance with the terms of this Agreement, this Agreement (including the Appendix, Schedule and Exhibits hereto) shall be amended by the Board of Managers to reflect the Transfer of the Company interest to the transferee, to admit the transferee as a Member and to reflect the elimination of the transferring Member (or the reduction of such transferring Member's interest in the Company) and (if and to the extent then required by the Act) a certificate of amendment to the Certificate reflecting such admission and elimination (or reduction) shall be filed in accordance with the Act. The effectiveness of the Transfer of an interest in the Company permitted hereunder and the admission of any substitute Member pursuant to Section 5.3 shall be deemed effective upon the later to occur of the time of Transfer of an interest in the Company to such transferee or the first date that the Board of Managers receives evidence of such Transfer, including the terms thereof. If the transferring Member has transferred all or any of its interest in the Company pursuant to this Section 5.1, then, upon the later to occur of the time of such Transfer or the first date that the Board of Managers receives evidence of such Transfer, including the terms thereof, the transferring Member shall cease to be a Member with respect to such interest. Notwithstanding anything in this Agreement to the contrary, any successor to a Member by merger or consolidation shall, without further act, be a Member hereunder, and such merger or consolidation shall not constitute an assignment for purposes of this Agreement and the Company shall continue without dissolution.

(d) Any person or entity who acquires in any manner whatsoever any interest in the Company, irrespective of whether such person or entity has accepted and adopted in writing the terms and provisions of this Agreement, shall be deemed by the acceptance of the benefits of the acquisition thereof to have (i) made all of the capital contributions, (ii) received all of the distributions, and (iii) agreed to be subject to and bound by all of the terms and conditions of this Agreement, that any predecessor in such interest in the Company made, received and was subject to or bound.

Section 5.2 Member Rights; Meetings. No Member, unless such Member is also a Manager and acts in its capacity as Manager, shall have any right, power or duty, including the right to approve or vote on any matter, except as expressly required by the Act or other applicable law or as expressly provided for hereunder.

(a) Unless a greater vote is required by the Act or as expressly provided for hereunder, the affirmative vote of a Majority in Interest of the Members entitled to vote shall be required to approve any proposed action.

(b) Meetings of the Members for the transaction of such business as may properly come before such Members shall be held at such place, on such date and at such time as a Member or Members holding a Majority in Interest shall determine. Special meetings of Members for any proper purpose or purposes may be called at any time by the Board of Managers or the Member or Members holding a Majority in Interest. The Company shall deliver oral or written notice (written notice may be delivered by mail) stating the date, time, place and purposes of any meeting to each Member entitled to vote at the meeting. Such notice shall be given not less than four (4) and not more than sixty (60) days before the date of the meeting.

(c) Any action required or permitted to be taken at an annual or special meeting of the Members may be taken without a meeting, without prior notice, and without a vote, provided that written consents, setting forth all proposed actions to be taken at such meeting, are signed by the Members holding at least the minimum Percentage Interest that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote on such action were present and voted. Every written consent shall bear the date and signature of each Member who signs such consent. Prompt notice of the taking of action without a meeting by less than unanimous written consent shall be given to all Members who have not consented in writing to such action.

Section 5.3 Additional Members. The Board of Managers shall have the sole right to admit additional Members upon such terms and conditions and at such time or times as the Board of Managers shall in its sole discretion determine; provided that, notwithstanding the foregoing, so long as any Permitted Obligation remains outstanding, no additional Members may be admitted to the Company without the prior unanimous consent of the Board of Managers and Monsanto. In connection with any such admission, the Board of Managers shall amend Schedule 1 to reflect the name, address and capital contribution of the additional Member and the new Percentage Interests of all Members.

Section 5.4 Resignation of a Member. So long as any Permitted Obligations are outstanding, the Sole Member may not resign without prior unanimous consent of the Board of Managers and Monsanto. A Member (other than the Sole Member) may resign from the Company with the written consent of the Board of Managers. The Sole Member shall not be permitted to resign pursuant to this Section 5.4 unless an additional member of the Company is admitted to the Company in accordance with Section 5.3. Such admission shall be deemed effective immediately prior to the resignation, and, immediately following such admission, the resigning Member shall cease to be a member of the Company.

Section 5.5 Termination of a Member. Notwithstanding the provisions of Section 5.4, a person or entity will no longer be a Member for purposes of this Agreement upon an Event of Withdrawal, provided, however, that a Terminated Member shall continue to be deemed a Member for all purposes under Section 4.2. The Terminated Member shall only be entitled to continue to receive allocation of Profits and Losses and distributions of the Company, including distributions pursuant to Article VI hereof, as and when paid by the Company, to the same extent such Terminated Member was entitled to such distributions as a Member. Such Terminated Member's successors and assigns will not be entitled to participate in any Company decision or determination, and such Terminated Member's successors and assigns will acquire only such Terminated Member's right to receive allocation of Profits and Losses and to share in the Company distributions.

## ARTICLE VI DURATION

Section 6.1 Duration. (a) Subject to the provisions of Section 6.2 of this Agreement, the Company shall be dissolved and its affairs wound up and terminated upon the first to occur of the following:



(i) Two years after the distribution of all assets of the Company in accordance with the Settlement Agreement (unless the Settlement Agreement provides at any time for a different term); or

(ii) The entry of a decree of judicial dissolution under Section 18-802 of the Act;

provided, however, that the Sole Member shall have the right, in its sole discretion, to extend the existence of the Company beyond the date otherwise provided for in this Section 6.1(a).

(b) Except as otherwise set forth in this Article VI, the Members intend for the Company to have perpetual existence. The bankruptcy (as defined in Section 18-101(1) of the Act) of any Member shall not cause such Member to cease to be a member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution. Each Member waives any right it may have to agree in writing to dissolve the Company upon the Bankruptcy (as defined in Section 18-101(1) of the Act) of any other Member or the occurrence of any other event that causes such other Member to cease to be a Member of the Company.

Section 6.2 Winding Up. Upon dissolution of the Company, the Company shall be liquidated in an orderly manner. The Board of Managers shall be the liquidator pursuant to this Agreement and shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne at the Company's expense. The steps to be accomplished by the liquidator are as follows:

(a) First, the liquidator shall satisfy all of the Company's known or reasonably anticipated debts and liabilities to creditors other than Members (whether by payment or the reasonable provision for payment thereof) including, without limitation, any outstanding Permitted Obligations;

(b) Second, the liquidator shall satisfy all of the Company's debts and liabilities to Members (whether by payment or the reasonable provision for payment thereof); and

(c) Third, all remaining assets, if any, shall be distributed to the Members in accordance with Section 3.1.

Section 6.3 Termination. The Company shall terminate when all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed in the manner provided for in this Article VI, and the Certificate of the Company shall have been canceled in the manner required by the Act.

## ARTICLE VII VALUATION

Section 7.1 Valuation. For purposes of this Agreement, the value of any property contributed by or distributed to any Member shall be valued as specified in the Settlement Agreement, or, if not so specified, as determined by the Board of Managers.

ARTICLE VIII  
CERTIFICATION OF MEMBERSHIP INTERESTS

Section 8.1 Membership Interest. The membership interests in the Company shall not be certificated; provided that the Board of Managers may approve a form of certificate and issue the same in its discretion.

ARTICLE IX  
BOOKS OF ACCOUNT; MEETINGS

Section 9.1 Books. Subject to the Services Agreement, the Board of Managers will maintain on behalf of the Company complete and accurate books of account of the Company's affairs at the Company's principal office, which books will be open to inspection by any Member (or such Member's authorized representative) or Monsanto at any time during ordinary business hours and shall be maintained in accordance with the Act.

Section 9.2 Fiscal Year. The fiscal year of the Company shall end on December 31 of each year.

Section 9.3 Tax Allocation and Reports. (a) The income, gains, losses, deductions and credits of the Company will be allocated, for federal, state and local income tax purposes, among the Members in accordance with the allocation of such income, gains, losses, deductions and credits among the Members for computing their Capital Accounts, except as otherwise provided in the Code or other applicable law.

(b) In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss, deduction and expense with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value at the time of contribution.

(c) Within 120 days after the end of each fiscal year, the Tax Matters Partner (as defined below) shall cause the Company to furnish each Member and Monsanto with a copy of the Company's tax return and form K-1 for such fiscal year, unless Company files as part of a consolidated return.

(d) The Company hereby designates the Sole Member to act as the "Tax Matters Partner" (as defined in Section 6231(a)(7) of the Code) in accordance with Sections 6221 through 6233 of the Code.

(e) If and for so long as the Company has only one Member, the Company shall make an election on IRS Form 8832 to be treated as a domestic entity with a single owner electing to be disregarded as a separate entity.

(f) Within 75 days after the end of each fiscal year, the Company shall deliver, or cause to be delivered, to Monsanto unaudited financial statements of the Company which shall include a balance sheet, an income statement and a statement of cash flows.

ARTICLE X  
MISCELLANEOUS

Section 10.1 Amendments. Subject to Section 1.5 of this Agreement, this Agreement may be amended or modified and any provision hereof may be waived by the affirmative vote of Members holding a majority of the Percentage Interests; provided, however, that any amendment or modification reducing disproportionately a Member's Percentage Interest or other interest in the profits or losses or in distributions or increasing such Member's capital contribution shall be effective only with such Member's consent.

Section 10.2 Successors. Except as otherwise provided herein, this Agreement will inure to the benefit of and be binding upon the Members and their respective legal representatives, heirs, successors and permitted assigns.

Section 10.3 Governing Law; Severability. The Agreement will be construed in accordance with the laws of the State of Delaware, and, to the maximum extent possible, in such manner as to comply with the terms and conditions of the Act. If it is determined by a court of competent jurisdiction that any provision of this Agreement is invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

Section 10.4 Notices. All notices, demands and other communications to be given and delivered under or by reason of provisions under this Agreement shall be in writing and shall be deemed to have been given when personally delivered, mailed by first class mail (postage prepaid and return receipt requested), sent by telecopy or sent by reputable overnight courier service (charges prepaid) to the addresses or telecopy numbers set forth in Schedule 1 hereto or to such other addresses or telecopy numbers as have been supplied in writing to the Company.

Section 10.5 Complete Agreement; Headings, Counterparts. This Agreement terminates and supersedes all other agreements concerning the subject matter hereof previously entered into among any of the parties. Descriptive headings are for convenience only and will not control or affect the meaning or construction of any provision of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, feminine or the neuter gender shall include the masculine, the feminine and the neuter. This Agreement may be executed in any number of counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts together will constitute one agreement.

Section 10.6 Partition. Except as otherwise expressly provided in this Agreement, to the fullest extent permitted by law, each Member hereby irrevocably waives any right or power that such Member might have to cause the Company or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of the Company as a result of the actual or potential insolvency of the Company, to compel any sale of all or any portion of the assets of the Company pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of the Company. No Member shall have any interest in any specific

assets of the Company, and no Member shall have the status of a creditor with respect to any distribution pursuant to Section 3.1 hereof. The interest of the Members in the Company is personal property.

Section 10.7 Benefits of Agreement; No Third-Party Rights; Monsanto as a Party. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of any Member. Nothing in this Agreement shall be deemed to create any right in any Person (except as otherwise provided in Section 4.2) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person. Monsanto shall be a party to this Agreement solely for purposes of Sections 1.5, 4.1(d), 5.1(a), 5.3, 5.4, 9.1, 9.3(c) and 10.1 of this Agreement.

Section 10.8 Binding Agreement. Notwithstanding any other provision of this Agreement, each Member agrees that this Agreement constitutes a legal, valid and binding agreement of the Member.

Section 10.9 No Strict Construction. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Persons (if more than one) then parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

Section 10.10 Attorneys' Fees and Disbursements. If the Company or any Member engages an attorney in connection with any action or proceeding (including arbitration) to enforce or construe this Agreement or their rights or obligations under limited liability company law, the prevailing party in such action or proceeding shall be entitled to recover its reasonable attorneys' fees and disbursements. In the event different parties are the prevailing parties on different issues, the attorneys' fees and disbursements shall be apportioned in proportion to the value of the issues decided for and against the parties.

Section 10.11 Effectiveness. Pursuant to Section 18-201(d) of the Act, this Agreement shall be effective as of 12:01 a.m., New York time, on the Effective Date of the Plan, as defined in the Settlement Agreement.

\* \* \* \* \*

IN WITNESS WHEREOF, the Sole Member hereto has caused this Agreement to be signed as of the date first above written.

Solutia Inc.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Monsanto Company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

SFC LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

## APPENDIX A

### DEFINITIONS

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

"Act" has the meaning set forth in Section 1.1.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such Person.

"Agreement" has the meaning set forth in the preamble to this Agreement.

"Assignee" means person or entity to whom a Company interest has been transferred in a Transfer, unless and until such person or entity becomes a Member with respect to such Company interest.

"Book Value" means, with respect to any Company property, the Company's adjusted basis for federal income tax purposes, except that the initial Book Value of any property contributed by a Member to the Company shall be the value of such property on the date of such contribution, as agreed by the Board of Managers and the Member contributing the property, and the Book Value of any Company property shall be adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(e) (in connection with a distribution of such property) or (f) (in connection with a revaluation of Capital Accounts).

"Board of Managers" has the meaning set forth in Section 4.1(a).

"Capital Account" has the meaning set forth in Section 2.1.

"Certificate" has the meaning set forth in Section 1.1.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Company" has the meaning set forth in Section 1.1.

"Control" means the possession, directly or indirectly, or the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or general partnership or managing member interests, by contract or otherwise. "Controlling" and "Controlled" shall have correlative meanings. Without limiting the generality of the foregoing, a Person shall be deemed to Control any other Person in which it owns, directly or indirectly, a majority of the ownership interests.

"Deposited Property" means the contribution, in the form of cash and/or interest bearing demand promissory notes and any other property transferred to the Company pursuant to

the terms and conditions of the Settlement Agreement, and all Profits and other proceeds thereof (if any).

"Event of Withdrawal" means the death or dissolution of a Member.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Independent Manager" means a natural person who is not at the time of initial appointment as a manager or at any time while serving as a manager of the Company and has not been at any time during the five (5) years preceding such initial appointment:

- (a) a stockholder, officer, trustee, employee, partner, member, attorney or counsel of the Company, any Member or any Affiliate of either of them;
- (b) a creditor, customer, supplier, or other person who derives any of its purchases or revenues from its activities with the Member, the Company or any Affiliate of either of them;
- (c) a Person Controlling or under common Control with any Person excluded from serving as Independent Director under clause (a) or (b) above; or
- (d) a member of the immediate family by blood or marriage of any Person excluded from serving as Independent Manager under clause (a) or (b) above.

A natural person who satisfies the foregoing definition other than subparagraph (b) shall not be disqualified from serving as an Independent Manager of the Company if such individual is an Independent Manager provided by a nationally-recognized company that provides professional independent managers (a "Professional Independent Manager") and other corporate services in the ordinary course of its business. A natural person who otherwise satisfies the foregoing definition other than subparagraph (a) by reason of being an independent manager of a "special purpose entity" affiliated with the Company shall not be disqualified from serving as an Independent Manager of the Company if either (i) such individual is a Professional Independent Manager or (ii) the fees that such individual earns from serving as independent manager of Affiliates of the Company in any given year constitute in the aggregate less than five percent (5%) of such individual's annual income for that year. Notwithstanding the immediately preceding sentence, an Independent Manager may not simultaneously serve as an Independent Manager of the Company and an independent manager of a special purpose entity that owns a direct or indirect equity interest in the Company or a direct or indirect interest in any co-borrower with the Company. For purposes of this paragraph, a "special purpose entity" is an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve such entity's separateness that are substantially similar to the Special Purpose Provisions of this Agreement.

"Independent Manager Agreement" means the Independent Manager Agreement attached hereto as Schedule 2.

"Insolvency Law" means any federal or state bankruptcy, insolvency or similar law.

"Losses" for any period means all items of Company loss, deduction and expense for such period determined according to Section 2.2 of this Agreement.

"Majority in Interest" means a majority of Percentage Interests of all Members.

"Material Action" means to institute proceedings to have the Company be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Company or file a petition seeking, or consent to, reorganization or relief with respect to the Company under any applicable federal or state Law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors of the Company, or admit in writing the Company's inability to pay its debts generally as they become due, or, to the fullest extent permitted by Law, take action in furtherance of any such action, or dissolve or liquidate the Company, or create any partnership, joint venture or subsidiary, or convey, sell, lease, transfer, encumber or otherwise dispose of the Deposited Property (except as expressly permitted by the Settlement Agreement), or take any of the actions described in Section 4.1(c) of this Agreement or enter into any transaction not expressly permitted by the Settlement Agreement.

"Member" means a Member, an Assignee and, solely for the purposes of Section 4.2, a Terminated Member.

"Monsanto" means the Monsanto Company, a Delaware corporation.

"Officer's Certificate" means a certificate signed by any officer of the Company who is authorized to act for the Company in matters relating to the Company.

"Percentage Interest" means, in respect of each Member, such Member's interest in the income, gains, losses, deductions and expenses of the Company as set forth on Schedule 1.

"Permitted Obligations" means any and all obligations expressly permitted to be undertaken by the Company pursuant to the Settlement Agreement.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint-stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

"Profits" for any period means all items of Company income and gain for such period determined according to Section 2.2.

"Registered Agent" has the meaning given to it in Section 1.7 of this Agreement.



"Services Agreement" means the Services Agreement dated as of [\_\_\_\_], 2007 between Solutia Inc. and the Company.

"Settlement Agreement" means the Settlement Agreement, dated as of [\_\_\_\_], 2007, between Solutia Inc., Monsanto Company and the Company, a copy of which is attached hereto as Exhibit A, as the same may be amended from time to time.

"Sole Member" means Solutia.

"Solutia" means Solutia Inc., a Delaware corporation.

"Terminated Member" means a person who has ceased to be a Member pursuant to Section 5.5.

"Transfer" has the meaning set forth in Section 5.1.

B. Rules of Construction. Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation", except when used in the computation of time periods. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. The Section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All Article, Section, paragraph, clause, Exhibit or Schedule references not attributed to a particular document or the Act shall be references to such parts of this Agreement. Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Settlement Agreement.

**SCHEDULE 1****MEMBER AND MANAGER INFORMATION**

<b>MEMBER(S)</b>	<b>CAPITAL CONTRIBUTION</b>	<b>PERCENTAGE INTEREST</b>
Solutia Inc.	\$100	100%

**Managers**

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**SCHEDULE 2**

**FORM OF INDEPENDENT MANAGER AGREEMENT**

SFC LLC  
[ADDRESS]

Re: Independent Manager Agreement of SFC LLC

Ladies and Gentlemen:

For good and valuable consideration, the undersigned person, who has been designated as an Independent Manager (the "Independent Manager") of SFC LLC, a Delaware limited liability company (the "Company"), in accordance with the Limited Liability Company Agreement of the Company, dated as of [DATE], 2007, as it may be amended or restated from time to time (the "Company Agreement"), hereby agrees as follows:

The Independent Manager accepts the rights and obligations of an Independent Manager (as defined in the Company Agreement) under the Company Agreement and agrees to perform and discharge such person's duties and obligations as an Independent Manager under the Company Agreement, and further agrees that such rights, authorities, duties and obligations under the Company Agreement shall continue until such person's successor as an Independent Manager is designated or until such person's death, incompetency, resignation or removal as an Independent Manager in accordance with the Company Agreement. The Independent Manager agrees and acknowledges that it has been designated as a "manager" of the Company within the meaning of the Delaware Limited Liability Company Act.

Until two years and one day after all Permitted Obligation have been fully and finally satisfied, the Independent Manager agrees not, and not to join or cooperate with, or encourage, any Person, to acquiesce, petition, or otherwise involve or cause the Company to invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company.

From time to time the Independent Manager will receive or otherwise obtain from the Company, in connection with its duties as a Manager, certain information that is non-public, confidential or proprietary in nature (the "Confidential Information"). The Independent Manager agrees to (i) not use any of the Confidential Information except in connection with fulfilling the duties of a Manager of the Company, and (ii) use reasonable best efforts to prevent the disclosure of the Confidential Information to any person other than as otherwise required by applicable law. This agreement regarding the Confidential Information is not applicable to any Confidential Information that (i) is or becomes generally available to the public through no fault or action on

the part of the Independent Manager, or the Independent Manager's employees, agents, counsel or accountants or (ii) is or becomes available to the Independent Manager on a non-confidential basis from a source other than the Company or any of its affiliates. In the event the Independent Manager is required to disclose the Confidential Information, it will request confidential treatment thereof and provide the Company with written notice of, and all opportunity to contest, the proposed disclosure prior to the disclosure.

THIS MANAGER AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

\*\*\*\*\*

IN WITNESS WHEREOF, the Independent Manager has executed this Independent Manager Agreement as of the day and year first above written.

Name: \_\_\_\_\_

**EXHIBIT A**

**SETTLEMENT AGREEMENT**

**EXHIBIT P  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**FORM OF:**

**SOLUTIA RETIREE WELFARE TRUST**



## **TRUST AGREEMENT**

AGREEMENT AND INDENTURE OF TRUST, made as of the Effective Date (as defined herein), by and between Solutia Inc. and any of its successors, including, without limitation, Reorganized Solutia (as defined in the Agreement (as defined herein)) ("Solutia") and Marshall & Ilsley Trust Company N.A., a national association organized and existing under the laws of the State of Wisconsin (the "Trustee");

WHEREAS, Solutia and its debtor affiliates are in proceedings under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 *et. seq.*, filed on December 16, 2003 in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in Jointly Administered Case No. 03-17949 (PCB) (the "Bankruptcy Case"); and

WHEREAS, Solutia, Monsanto Company, the Official Committee of Solutia's Unsecured Creditors and the Official Committee of Retirees appointed by the Court in the Bankruptcy Case (the "1114 Committee"), acting on behalf of the Retirees (as defined in the Agreement) have entered into the First Amended and Restated Retiree Settlement Agreement dated July 10, 2007, (the "Agreement" attached hereto as Exhibit A) requiring that the Solutia Retiree Welfare Trust ("Trust") will be established as of the Effective Date (as defined below);

WHEREAS, Solutia has agreed with the 1114 Committee and the other parties to the Agreement to make certain contributions to the Trust to finance certain retiree welfare benefits;

WHEREAS, Solutia and the 1114 Committee desire that the Trustee hold and administer the Trust Fund, and the Trustee is willing to hold and administer such Trust Fund, pursuant to the terms of this Agreement and Indenture of Trust;

WHEREAS, it is intended that this Trust shall qualify as a tax exempt voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, Solutia intends to implement the Solutia 2007 Retiree Welfare Plan (the "2007 Plan"); and

WHEREAS, by Order dated \_\_\_, the Bankruptcy Court approved the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereby establish this Trust upon the following terms and conditions:

### **ARTICLE I CREATION OF TRUST AND PURPOSE**

1. There is hereby created and established the Trust. The Trust shall be initially located in Missouri, and shall have such address as the Trustee shall establish from time to time.

2. The purposes of the Trust, subject to and in accordance with the Agreement, are to (i) provide reimbursement to Solutia for OPEB (as defined in the Agreement) for Pre-Spin and Post-Spin Retirees (as both are defined in the Agreement); (ii) reimburse the Retiree Liaison Committee (as defined in the Agreement) for certain expenses; (iii) in the event that no Pre-Spin Retirees are participating in the 2007 Plan and fewer than 100 Post-Spin Retirees are participating in the 2007 Plan, to reimburse Solutia for OPEB for Post-Spin Retirees and provide medical and other welfare benefits to Solutia's active employees; (iv) to provide OPEB for Pre-Spin and Post-Spin Retirees in the event that Solutia is no longer in existence or unable to provide such benefits and (v) pay the reasonable fees and expenses of the Trust, including, without limitation, the reasonable fees and expenses of the Trustee, the Investment Manager(s) (as defined herein) and the Independent Fiduciary (as defined herein). It is intended that this Trust shall qualify as a tax exempt voluntary employees' beneficiary association under section 501(c)(9) of the Code, and this Agreement and the Trust Fund thereunder are intended to meet all requirements of section 501(a) of the Code.

## **ARTICLE II ACCEPTANCE OF TRUST**

1. The Trustee hereby accepts the Trust hereby created and covenants to hold all cash and other property which it may receive hereunder upon the terms of and in accordance with the conditions hereinafter set forth.

## **ARTICLE III DEFINITIONS**

1. The following words and phrases shall have the meaning set forth below:
  - (a) *Effective Date*: The "Effective Date" as defined in Solutia's confirmed plan of reorganization.
  - (b) *Independent Fiduciary*: The entity appointed from time to time by Solutia and serving pursuant to Section 1 of Article XII and a written agreement with Solutia (initially, the "Independent Fiduciary Agreement").
  - (c) *Investment Manager*: Investment Manager has the meaning set forth in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").
  - (d) *Participant(s)*: Persons who (i) are Retirees, as defined in the Agreement; and (ii) are eligible for health and medical benefits under the 2007 Plan, or due to disability are eligible for health and medical benefits under another Solutia welfare benefit plan.
  - (e) *Permitted Investments*: Subject to the requirements of ERISA and the Code, Permitted Investments shall be short-term, well-diversified, high quality investment instruments, with a primary objective of capital preservation, including one or more of (i) interest bearing accounts with a commercial bank

having at least \$10 billion in assets ("Qualified Financial Institution"); (ii) direct and indirect obligations of the United States; (iii) obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest; (iv) commercial paper rated in one of the four highest debt rating categories of Moody's Investor Services, Inc. and Standard & Poor's Corporation (without regard to gradation); (v) certificates of deposit issued by Qualified Financial Institutions; (vi) bankers' acceptances issued by Qualified Financial Institutions; (vii) repurchase agreements with Qualified Financial Institutions; (viii) floating rate notes rated at least AA; (ix) tax exempt municipal bonds and notes rated at least AA; and (x) money market funds. With respect to each of these investments, Trustee may invest in such accounts, instruments, or funds that are affiliated with or maintained by Trustee or its affiliates, provided the Trustee continues to meet the definition of a Qualified Financial Institution and provided such investment is consistent with ERISA and the Code, including applicable guidance interpreting ERISA and the Code.

- (f) *Retiree Liaison Expenses*: Reasonable, actual, out-of-pocket expenses incurred by the Retiree Liaison Committee (as defined in the 2007 Plan and Agreement) in the performance of its duties, not to exceed \$3,000, in the aggregate, in any calendar year.
- (g) *Trustee*: Marshall & Ilsley Trust Company N.A., and any other bank, trust company or other financial institution appointed by Solutia to serve as Trustee.
- (h) *Trust Fund*: The Contributions held by the Trustee hereunder and the proceeds of the sales of the Shares, increased by investment earnings and dividends thereon and reduced by investment losses thereon, reasonable administration expenses, reimbursements to Solutia and reimbursements to the Retiree Liaison Committee, as permitted under this Trust, the Agreement and the 2007 Plan.

#### ARTICLE IV CONTRIBUTIONS AND FUNDING

1. *Contributions*: The Trust Fund shall be funded by two, one-time contributions from Solutia, and both such contributions shall be irrevocable (collectively, the "Contributions"). The first contribution shall be a cash contribution of \$175,000,000 ("Cash Contribution") and shall be made on the Effective Date. The second contribution shall be a contribution of the common stock of Reorganized Solutia (as defined in the Agreement), in an amount determined under the Agreement ("Shares"), or the proceeds thereof, and shall be made at the time provided for in the Agreement.
2. *Sub-Accounts*: The Trust Fund shall hold the Cash Contribution in a sub-account ("Sub-Account 1") and the Shares, the proceeds of any sales of Shares and dividends thereon in a different sub-account ("Sub-Account 2").
3. *Funding Policy*: The Trustee and the Independent Fiduciary shall follow the funding policy established by the Agreement so that the Trust shall be funded in a manner

consistent with the terms of this Trust, the Agreement, ERISA and any other applicable laws and regulations. The funding policy shall provide for the Contributions described above, and the Trustee shall manage Sub-Account 1 consistent with the Permitted Investments, shall follow the Independent Fiduciary's direction with respect to the Shares in Sub-Account 2 and shall invest the proceeds of the sales of Shares and any dividends in Sub-Account 2 in Permitted Investments. The Independent Fiduciary shall manage the Shares in Sub-Account 2 consistent with the Independent Fiduciary Agreement and shall have no authority or duties with respect to the management of the Cash Contribution or the proceeds of the sale of Shares or dividends. In following such funding policy, the Trustee shall exercise its investment discretion so as to provide sufficient cash assets, consistent with the contribution and investment restrictions adopted under this Trust and the Agreement, as necessary to meet the liquidity requirements for the administration of the Trust.

4. *Diversification:* Any Investment Manager appointed hereunder (including Trustee) shall exercise its fiduciary responsibilities with respect to the assets of the Trust, including (without limitation) any responsibility of diversification to the extent imposed by ERISA and in accordance with ERISA, as if the portion of the Trust Fund under its management constituted the entirety of the assets of the Trust. The Trustee, or some other fiduciary named by it, shall be responsible for the overall diversification of Sub-Account 1 and the proceeds of any sales of the Shares or dividends in Sub-Account 2, to the extent assets are subject to the diversification requirement. Notwithstanding the foregoing, the Independent Fiduciary (or some other fiduciary named by Solutia) shall be responsible for deciding whether and when to sell the Shares in order to comply with ERISA's diversification requirements related to Sub-Account 2, to the extent those assets are subject to the diversification requirement.
5. *No Reversion or Prohibited Inurement:* No part of the Trust Fund shall revert to or inure to the benefit of any organization or individual other than through the reimbursement of OPEB to Solutia, payment of Retiree Liaison Expenses, payment of benefits under the 2007 Plan in the event that Solutia has been dissolved or is otherwise unable to request reimbursement of OPEB, other payments provided for in this Trust, the 2007 Plan and the Agreement and reasonable administration expenses of the Trust, as permitted under the terms of the 2007 Plan, the Agreement and Trust.

#### ARTICLE V REIMBURSEMENTS

1. *Sub-Account 1:* Every two weeks, during the first twelve (12) months following the Effective Date, the Trustee shall, upon request from Solutia, reimburse Solutia from Sub-Account 1 of the Trust in an amount equal to 100% of the actual out-of-pocket costs, including all administrative costs, net of, among other things, Medicare reimbursements and Pre-Spin Retirees' (as defined in the Agreement) medical expense contributions (collectively, "Net Costs"), for providing OPEB to Pre-Spin Retirees. Every two weeks thereafter, the Trustee shall, upon request by Solutia, reimburse Solutia from Sub-Account 1 of the Trust in an amount equal to 90% of the actual out-of-pocket costs,

including all administrative costs, net of Net Costs, for providing OPEB to Pre-Spin Retirees, until the funds in Sub-Account 1 have been exhausted.

2. *Sub-Account 2:* Every two weeks following the Effective Date (or, if later, the sale of the Shares), the Trustee shall, upon request from Solutia, reimburse Solutia from Sub-Account 2 of the Trust in an amount equal to 100% of its actual out-of-pocket costs, including all administrative costs, net of, among other things, Medicare reimbursements and Pre-Spin Retiree and Post-Spin Retiree (as defined in the Agreement) medical expense contributions, for providing OPEB to Pre-Spin Retirees and Post-Spin Retirees following the Effective Date until the funds in Sub-Account 2 are exhausted; provided that Solutia may seek reimbursements from Sub-Account 2 only when cash or other securities or investments constituting Permitted Investments are available in Sub-Account 2, and; provided further that to the extent that Solutia has not been reimbursed from Sub-Account 1 for the same cost or expenses, the funds in Sub-Account 2 shall be used to reimburse Solutia for such current costs and expenses and shall be reserved in the following proportion: (a) 58% of all amounts in Sub-Account 2 for Pre-Spin Retirees; and (b) 42% of all amounts in Sub-Account 2 for Post-Spin Retirees.
3. *Amount of Reimbursements:* Solutia shall be solely responsible, subject to the 2007 Plan and the Agreement, for determining the amount of reimbursements from Sub-Account 1 and Sub-Account 2. Solutia's requests to the Trustee for reimbursement shall be sufficiently detailed to reflect the type of retiree (Pre-Spin Retiree or Post-Spin Retiree) and the sub-account from which reimbursement is requested. Solutia shall neither request nor be entitled to reimbursement from the Trustee for reduced compensation paid to disabled employees or for other benefits not designated by the Agreement for reimbursement.
4. *Timing of Payments:* Within 10 days of the receipt of a reimbursement request from Solutia, the Trustee shall pay the requested amount to Solutia.
5. *Payment of Retiree Liaison Expenses:* Any expenses incurred by the Retiree Liaison Committee shall be submitted to the Trustee within 30 days of the incurrence of such expense. Such reasonable expenses shall be paid by the Trustee within 10 days of receipt, subject to the \$3,000 annual, aggregate cap on such expenses.

## ARTICLE VI TRUSTEE

1. *General Duties of Trustee:*
  - (a) The Trustee shall hold, manage, invest and reinvest the Trust Fund, collect the income thereof and make payments therefrom, all as herein provided. The Trustee shall be responsible only for funds actually received by it and shall have no duty or authority to compute or to bring any action or proceedings to enforce the collection of any contribution to the Trust Fund. The Trustee does not guarantee the solvency of the Trust Fund.
  - (b) The Trustee shall discharge its duties solely in the interest of the Participants, and

- (i) For the exclusive purposes stated in Article I of this Trust;
  - (ii) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
  - (iii) In accordance with the investment and funding policy established by the Agreement for the Trustee and Independent Fiduciary, as provided in this Trust, and any changes thereof from time to time; and
  - (iv) In accordance with this Trust Agreement and the Agreement in so far as it is consistent with ERISA.
2. *Investment Powers of Trustee:* With respect to the Trust Fund, the Trustee is authorized and empowered, in its sole discretion but in accordance with the funding policy and, with respect to the Shares, the instructions of the Independent Fiduciary:
- (a) To invest and reinvest the funds received hereunder, and any accretions thereto, without distinction between principal and income in the Shares which the Trust receives as part of the Contributions and the Permitted Investments. To the extent further diversification is required by ERISA or the Code, the Trustee may invest and reinvest in such securities or in such other property, real or personal, wherever situated, whether or not income producing, including but not limited to insurance policies, stock, common or preferred, interests in regulated investment companies including regulated investment companies for which the Trustee or an affiliate of the Trustee receives compensation for providing custodial transfer agency, investment advisory or other services (although interests in such regulated investment companies are not bank deposits and are not insured by, guaranteed by, obligations of, or otherwise supported by the U.S. Government, the Federal Deposit Insurance Corporation ("FDIC"), or any bank or government entity), common or collective investment funds, including any such fund that is maintained by Trustee, bonds and mortgages, and other evidences of indebtedness (including debt securities underwritten by the Trustee or any of its affiliates, whether individually or as a member of a divided or undivided syndicate to the extent such investment is exempt from the prohibited transaction rules of ERISA and the Code), and deposits in a bank or other financial institution under state or Federal supervision, including the Trustee's banking department, which bear a reasonable rate of interest. In making such investments, if such investments are required by ERISA or the Code, the Trustee shall not be restricted by any state law or statute designating investments eligible for trust funds; provided, however, that investments shall be so diversified as to minimize the risk of large losses unless (1) under the circumstances it is clearly prudent not to do so, or (2) such assets constitute qualifying employer real property or qualifying employer securities that comply with ERISA.

- (b) During the period, if any, when any part of all of the assets held hereunder comprise part of any collective or common trust fund, such assets shall be subject to all of the provisions of the Declaration of Trusts of such collective or common trust funds, as amended from time to time, which are hereby made a part of this Agreement and incorporated herein by reference thereto as though the same were set forth in full herein;
- (c) To hold uninvested, from time to time, without liability for interest thereon, such amounts as are necessary for the cash requirements of the Trust under a funding policy adopted by the Trustee, and to keep such portion of the Trust Fund in cash or cash balances as the Trustee may from time to time deem to be in the best interests of the Trust Fund, without liability for interest thereon, notwithstanding that the Trustee or its affiliate may accrue interest on such cash balances;
- (d) To invest all or part of the Trust Fund in interest-bearing deposits with the Trustee, or with a bank or similar financial institution related to Trustee whether or not such bank or other institution is a fiduciary with respect to the 2007 Plan, including but not limited to investments in time deposits, savings deposits, certificates of deposit or time accounts which bear a reasonable interest rate, and to utilize a general disbursement account, i.e., in the form of a demand deposit and/or time deposit account with a bank or similar financial institution whether related to Trustee or unaffiliated with Trustee, for distributions from the Trust, without incurring any liability for payment of interest thereon, notwithstanding the Trustee's receipt of income with respect to float involving the disbursement account, provided that such interest-bearing deposits constitute Permitted Investments;
- (e) To hold assets of the Trust Fund in cash or equivalents, government securities, or straight debt securities in varying proportions when and for so long as, in the opinion of the Trustee, prevailing market and economic considerations indicate that it is in the best interest of the Participants to do so, provided that such investments are Permitted Investments;
- (f) To exercise investment discretion under this Section in a restricted manner, due to the liquidity needs of the Trust consistent with the funding policy and liquidity needs of the Trust.

All amounts paid, distributed or otherwise transferred by check, automatic clearing house ("ACH") transaction, or federal wire transaction from the Trust's account are transferred to and drawn on an omnibus checking account in the Trustee's name. The Trustee will retain as compensation for services provided to the Trust any interest on amounts in the Trustee's omnibus account that is earned while certain transactions are pending. These amounts may include funds that are awaiting investment as well as funds that have been disbursed from investments pending the payee's presentment for payment.

With respect to funds awaiting investment, such funds are generally received by the Trustee and contributed to the Trust on the same date. Funds shall not be held in the Trustee's

omnibus account for more than three business days without additional notice. With respect to funds that have been disbursed from the Trust to fund a lump sum or other non-periodic payment, funds are moved from the Trust to the Trustee's omnibus account for payment on the same date that the check is issued and mailed to the payee. With respect to funds that have been disbursed from the Trust to fund a regular periodic distribution, a check is mailed to the payee approximately three business days before the date on the check, and amounts to fund that payment are not moved out of the Trust to the Trustee's omnibus account until the date on the check.

Earnings on amounts held in the Trustee's omnibus account are generally at institutional money market rates. Additional detail regarding the circumstances in which the Trustee may earn interest on pending transactions is available from the Trustee upon request.

3. *Administrative Powers of Trustee:* The Trustee shall be authorized and empowered, in its discretion, to exercise any and all of the following rights, powers and privileges with respect to the Trust Fund and, with respect to the Shares, to carry out the directions of the Independent Fiduciary:
  - (a) Subject to 2(a) above, to purchase, or subscribe for, any securities or other property constituting Permitted Investments or the Shares to be received as part of the Contributions and to retain the same in trust;
  - (b) To sell, convey, transfer or otherwise dispose of any such securities or other property, by private contract or at public auction, for cash or credit or combination thereof, without notice or advertisement. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition.
  - (c) To exchange, mortgage, or lease any such property on such terms and conditions as it may deem appropriate.
  - (d) To grant or take options for any duration to purchase any such property, whether personal or real.
  - (e) To cause any securities or other property to be registered in its own name or in the name of one or more of its nominees or a nominee or nominees of any national registered securities depository which it has selected and to hold any investment in bearer or other negotiable form, *provided that* the books and records of the Trustee at all times show that such investments are part of the Trust Fund. In compliance herewith, the Trustee may give to any registrar, transfer agent, or insurer, including but not limited to corporations, state, or Federal authorities or agents, any bond or other guarantee which may be required, *provided that* the Trustee shall be exempt to the maximum extent permissible by applicable law from any need to post a bond. Any registrar, transfer agent, or insurer shall be indemnified by the Trustee and held harmless from any action either at law or in equity for acting upon or in compliance with the instructions received in writing



from the Trustee, unless the damages, liability, costs, expenses or claims arise from the other party's negligence or willful misconduct.

- (f) To vote upon any stocks, bonds or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights, or other options, and to make any payments incidental thereto; to oppose or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other properties held as part of the Trust Fund; provided however, that the powers set forth in this paragraph shall vest in Solutia or an Investment Manager appointed by Solutia to the extent that they relate to any shares in a mutual fund if the Trustee, in its sole discretion, determines that a conflict of interest may exist with respect to any particular proxy or vote, and, with respect to the Shares, shall be subject to Article XII hereof.
- (g) To settle, compromise, or submit to arbitration any claims, debts, or damage due or owing to or from the Trust Fund, to commence or defend suits or legal or administrative proceedings, and to represent the Trust Fund in all legal and administrative proceedings, provided, however, the Trustee shall not be obligated to take any action or to appear and participate in any action which would subject it to expense or liability unless it is first indemnified in an amount and manner satisfactory to it, or is furnished with funds sufficient, in its sole judgment, to cover the same.
- (h) To borrow money for the purposes of the Trust from any person (other than the Trustee in its individual capacity or other party in interest unless authorized by ERISA or applicable individual or class prohibited transaction exemptions or other guidance), and to pledge assets of the Trust Fund as security for repayment.
- (i) To employ suitable agents, advisors, accountants and counsel and to pay their reasonable expenses and compensation.
- (j) To deposit monies in federally insured savings accounts or certificates of deposits in banks or savings and loan associations, including financial institutions affiliated with Trustee.
- (k) To purchase shares of any registered mutual fund including any such fund from which the Trustee or any affiliate thereof receives an investment management fee or any other fee.
- (l) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

In addition to the foregoing powers, the Trustee shall also have all of the powers, rights and privileges conferred upon trustees by the fiduciary law of the State of Missouri to the extent such law is not preempted by Federal law, and the power to do all acts, take all proceedings, and execute all rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to administer the Trust Fund and to carry out the purposes of this Trust.

4. *Authority of Trustee:* Persons dealing with Trustee shall be under no obligation to see to the proper application of any money paid or property delivered to Trustee or to inquire into authority of Trustee as to any transaction.
5. *Trustee's Compensation and Expenses and Taxes:* The Trustee shall be paid such reasonable compensation as shall be agreed by Solutia and the Trustee. In addition, the Trustee shall be reimbursed for any reasonable, direct out-of-pocket expenses it incurs in administering the Trust, including reasonable counsel and accounting fees incurred by it as Trustee but excluding the Trustee's overhead, provided that the Trustee notifies Solutia in advance to the extent practical prior to incurring any such expenses. Such compensation and expenses shall be paid from the Trust Fund. All taxes of any kind and all kinds whatsoever that may be levied or assessed under existing or future laws upon, or in respect of, the Trust Fund or its income, shall be paid from the Trust Fund. To the extent practical, prior to paying any such tax, Trustee shall notify Solutia that the tax has been levied or assessed.

## ARTICLE VII DISTRIBUTIONS AND DISBURSEMENTS

1. The Trustee is authorized to disburse to itself from the Trust Fund its fees and to reimburse itself for the reasonable costs incurred in the performance of its duties, as well as any claim for indemnity under this Trust Agreement. Payment of any such indemnity claim, fees and reimbursements must be approved in advance by Solutia. The Trustee is authorized to make disbursements from the fund to pay the fees and expenses of the Independent Fiduciary(ies) and Investment Manager(s) in the performance of their duties for the Trust, including the reimbursement (or direct payment) of the reasonable fees incurred by them in engaging actuaries, consultants, attorneys, accountants and other specialists reasonably necessary to assist in the performance of their duties hereunder.
2. The Trustee will make such payments from the Trust Fund to reimburse Solutia and the Retiree Liaison Committee or make any payments of OPEB set forth in Article I, item 2. To the extent permitted by law, the Trustee shall be under no liability for any payment made pursuant to the direction of Solutia. Any directive by Solutia shall constitute a certification that the distribution or payment so directed is one that Solutia is authorized to direct.
3. Written directions from a person who has been authorized in writing to act as an agent for Solutia, the Independent Fiduciary, and Investment Manager(s) shall be treated as directions by Solutia, the Independent Fiduciary or the Investment Manager(s) with respect to such matters as are within the scope of authority that Solutia, the Independent Fiduciary or the Investment Manager(s), as applicable, has delegated to such designated

agent and shall be subject to the same certifications above, as if made by Solutia, the Independent Fiduciary or the Investment Managers, respectively.

#### **ARTICLE VIII ACCOUNTS OF THE TRUSTEE**

The Trustee shall keep accurate and detailed accounts with respect to the assets constituting the Trust Fund, including but not limited to, records with respect to contributions to the Fund, disbursements from the Fund, the purchase or sale of assets, the cost and fair market value of assets retained, and the income, gain or loss derived periodically from the investments held in the Trust Fund. The Trustee shall file with Solutia, the Retiree Liaison Committee and the Independent Fiduciary within three (3) months following the close of each fiscal year of the Trust, and at such other intervals as are reasonably requested by Solutia or the Independent Fiduciary, a written account containing such information as is reasonably requested by Solutia or the Independent Fiduciary with respect to the transactions effected by Trustee during such fiscal year of the Trust or other period. Solutia may approve the account by written notice of approval to the Trustee or by failure to object in writing to the Trustee within ninety (90) days after receipt of the account. Upon receipt of written approval of the account, or upon the expiration of said ninety (90) day period without written objections, the account shall be approved, and the Trustee shall be released and discharged with respect to the matters set forth in the account for the period covered by the account. Nothing herein contained, however, shall be deemed to preclude the Trustee of its right to have its account judicially settled by a court of competent jurisdiction.

#### **ARTICLE IX RESIGNATION, REMOVAL OR APPOINTMENT OF TRUSTEE**

1. *Removal or Resignation:* The Trustee may be removed by Solutia at any time, without cause, upon delivery of sixty (60) days' prior written notice of such action to the Trustee with copies of such notice to the Retiree Liaison Committee and the Independent Fiduciary. The Trustee may resign at any time upon sixty (60) days' prior written notice to Solutia with copies of such notice to the Retiree Liaison Committee and the Independent Fiduciary. In the event of any resignation or removal of the Trustee, the Trustee and Solutia may waive, in writing, any notice of resignation or removal as may be required hereunder. Within sixty (60) days after the effective date of the removal or resignation of the Trustee, the Trustee shall file with Solutia and the Independent Fiduciary a written account, to the date of such removal or resignation, in form similar to, and containing information similar to that required to be set forth in, the annual account provided for heretofore in Article VIII. The procedures set forth in Article VIII for the approval by the Solutia of annual accounts shall apply to any statement of account rendered under this Article, and approval by Solutia of any such statement of account in the manner provided in Article VIII shall have the same effect upon the statement as Solutia's approval of an annual account.
2. *Designation of Successor Trustee:* Upon removal or resignation of the Trustee, Solutia shall designate a successor Trustee to act hereunder, and such successor Trustee shall have the same powers and duties as those conferred upon the Trustee who was removed or resigned. Solutia shall give notice of such appointment to the Retiree Liaison

Committee and the Independent Fiduciary. Upon acceptance of such appointment by the successor trustee, the Trustee shall assign, transfer, and pay over to such successor trustee the funds and properties then constituting the Trust Fund. The Trustee is authorized, however, to reserve such reasonable sum of money as it may deem advisable for payment of its fees and expenses in connection with the settlement of its account or otherwise, and any balance of such reserve remaining after the payment of such fees and expenses shall be paid over to the successor trustee. There shall be no period of time during which the Trust Fund has no Trustee. If no appointment of a successor Trustee is made by Solutia within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Trustee, appoint a successor Trustee after such notice to Solutia, the Retiree Liaison Committee and the retiring Trustee, as such court may deem suitable and proper.

3. *Documents Evidencing Change in Trusteeship:* In the event the Trustee is removed or resigns, the Trustee shall execute immediately upon the appointment of a successor Trustee all documents necessary to evidence and reflect the change in trusteeship.
4. *Acceptance by Successor Trustee:* The acceptance of any successor Trustee of its appointment shall be in writing transmitted to Solutia with copies to the Retiree Liaison Committee and the Independent Fiduciary.

#### ARTICLE X PROTECTION OF THE TRUSTEE

1. *Directions to the Trustee:* All requests, directions, orders, requisitions and instructions of Solutia, Solutia's designee, the Independent Fiduciary or an Investment Manager to the Trustee shall be in writing and shall be signed by an authorized person. A facsimile or e-mail transmission shall be deemed to be in writing but shall not be considered delivered to the Trustee until received by the individual or entity to whom it is addressed. To the extent any decisions by Solutia affect the duties or obligations of the Trustee, Solutia shall notify the Trustee of such decisions as soon as practicable.
2. *Reliance on Written Instruments:* Trustee shall be fully protected in acting upon any instrument, certificate or paper believed by Trustee to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.
3. *Limitation on Trustee's Liability:* Solutia shall administer the 2007 Plan as provided therein, and neither the Trustee nor the Independent Fiduciary shall be responsible in any respect for administering the 2007 Plan nor shall the Trustee or the Independent Fiduciary be responsible for the adequacy of Contributions to the Trust Fund to meet or discharge any payments or liabilities under the 2007 Plan or any requests by Solutia for a reimbursement pursuant to the Agreement. The Trustee shall be entitled to rely conclusively on any notice, instruction, direction or other communication of Solutia.

4. *Consultation with Counsel:* The Trustee may consult with counsel and the Trustee shall not be deemed imprudent by reason of its taking or refraining from taking any action in accordance with the opinion of counsel.
5. *Indemnification:* The Trustee shall be indemnified and held harmless by the Trust and Solutia from and against any and all liability, subject to the exception below, to which the Trustee may be subjected as a result of this Trust Agreement, including, but not limited to, any liability arising from any action or failure to act resulting from compliance with the instructions of Solutia or Independent Fiduciary, and including all expenses reasonably incurred in its defense, except to the extent the damages, liability, costs, expenses or claims arise from the Trustee's negligence or willful misconduct. The indemnification provided to the Trustee hereunder shall also apply to any liability arising from the acts or omissions of any predecessor trustee or other fiduciaries of the Trust. Subject to the foregoing, the Trustee shall be liable to the extent it has contributed to such liability incurred by any other Trustee; and each shall be entitled to contribution from the other on the basis of the judicially determined comparative fault of each party causing the loss, liability and/or expense. Nothing contained herein shall require a payment by the Trust in violation of ERISA or other applicable law. Solutia, the Trust and the Independent Fiduciary shall be indemnified and held harmless by the Trustee from and against any and all liability, subject to the exception below, to which Solutia, the Trust or the Independent Fiduciary may be subjected arising from any performance of the Trustee's duties as set forth in this agreement or breach of any fiduciary duty owed to the Trust by the Trustee, including all expenses reasonably incurred in Solutia's, the Trust's or the Independent Fiduciary's defense, except to the extent the damages, liability, costs, expenses or claims arise from Solutia's or the Independent Fiduciary's negligence or willful misconduct.

#### ARTICLE XI RIGHT TO AMEND OR TERMINATE

1. *Termination:* This Trust shall continue for such time as may be necessary to accomplish the purposes for which it was created, but may be terminated at any time by Solutia, subject to the Agreement and the 2007 Plan, by giving at least sixty (60) days' prior written notice of such action to the Trustee, the Retiree Liaison Committee and the Independent Fiduciary. Upon termination of the Trust, any assets which are not needed to discharge Trust liabilities shall be used to provide health benefits or other employee welfare benefits to Participants or current, former or future employees of Solutia.
2. *Liquidation:* Upon termination of the Trust, the Trustee shall hold the Trust Fund until it is completely exhausted by reimbursing OPEB, paying benefits to participants and paying the reasonable expenses of the Trust, including expenses involved in the termination, in accordance with the Agreement. Any remaining assets shall be distributed to or for the benefit of the Participants or employees of Solutia in an equitable manner determined at the sole discretion of Solutia.
3. *Right to Amend:* Solutia may, subject to the Agreement and the 2007 Plan, at any time and from time to time, amend, in whole or in part, any or all of the provisions of this

Trust Agreement; provided, that no such amendment may permit any part of the Trust Fund to be used for or diverted to purposes other than those specified herein and no such amendment may conflict with the Agreement. Any amendment to the provisions of this Trust Agreement which alters, modifies or otherwise affects the rights, duties or responsibilities of the Trustee, shall be effective only to the extent such Trustee consents thereto. Solutia shall provide notice of any such amendments to the Retiree Liaison Committee and the Independent Fiduciary.

## ARTICLE XII INDEPENDENT FIDUCIARY

1. *Appointment of Independent Fiduciary:* The Independent Fiduciary shall be appointed from time-to-time by Solutia pursuant to a written instrument, initially the Independent Fiduciary Agreement, delivered to and acknowledged in writing by the Independent Fiduciary. Solutia shall notify the Trustee and the Retiree Liaison Committee of the Independent Fiduciary's appointment in writing as soon as practicable.
  
2. *Trustee Directed as to Shares:* Any provision of this Trust Agreement to the contrary notwithstanding, the Trustee shall have no discretionary authority or powers with respect to the Shares and all such discretionary authority shall rest with the Independent Fiduciary. The Trustee shall hold the Shares in Sub-Account 2 and shall be subject to direction by the Independent Fiduciary with respect to the acceptance, holding, retention, management, disposition and voting of the Shares. The Independent Fiduciary shall be a named fiduciary (as defined in Section 402(a)(2) of ERISA) and an Investment Manager with respect to all discretionary actions regarding the acceptance, holding, retention, management, disposition, and voting of the Shares. The Trustee shall be entitled to rely upon the identification by Solutia of the Independent Fiduciary until notified in writing by Solutia that Sub-Account 2 assets no longer include the Shares. During any period of time in which Sub-Account 2 includes Shares, the Trustee shall act strictly in accordance with any directions of the Independent Fiduciary with respect to the Shares in Sub-Account 2. The Trustee shall continue to receive all assets purchased against payment therefor and to deliver all assets sold against receipt of the proceeds therefrom. The Independent Fiduciary may from time to time issue orders on behalf of the Trustee for the sale of Shares directly to an underwriter or broker or dealer and for such purpose the Trustee shall, upon request, execute and deliver to such Independent Fiduciary one or more trading authorizations. The Trustee shall have no responsibility or liability to the Trust Fund or anyone else relating to its execution of the asset management decisions of the Independent Fiduciary. The Trustee shall be under no duty to make any review of or recommendation with respect to any such decision. Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from the Independent Fiduciary, shall invest cash balances held by the Trust, if any, with respect to Sub-Account 2 in Permitted Investments; and furthermore, shall sell Permitted Investments as may be necessary to carry out the directions of the Independent Fiduciary with respect to the Shares.
  
3. *Removal:* The Independent Fiduciary may be removed by Solutia in accordance with the Independent Fiduciary Agreement, with a copy of such notice to the Retiree Liaison

Committee and the Trustee. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Independent Fiduciary of the appointment of a successor Independent Fiduciary in the manner set forth in Section 5 of this Article XII below.

4. *Resignation:* The Independent Fiduciary may resign by filing with Solutia a written resignation that shall take effect thirty (30) days after the date of such filing, unless prior thereto a successor Independent Fiduciary has been appointed by Solutia, with a copy of such resignation to the Retiree Liaison Committee and the Trustee.
5. *Successor Independent Fiduciary:* Solutia may appoint a successor Independent Fiduciary by delivering to the successor Independent Fiduciary an instrument in writing, executed by an authorized representative of Solutia, appointing such successor Independent Fiduciary, and by delivering to the removed or resigning Independent Fiduciary an acceptance in writing, executed by the successor Independent Fiduciary so appointed. Solutia shall provide the Retiree Liaison Committee and the Trustee with notice of such appointment. Such appointment shall take effect upon the date specified in Section 3 or 4 above, as applicable. If no appointment of a successor Independent Fiduciary is made by Solutia within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Independent Fiduciary, appoint a successor Independent Fiduciary after such notice to Solutia, the Retiree Liaison Committee, the Trustee and the retiring Independent Fiduciary, as such court may deem suitable and proper.
6. *Independent Fiduciary Compensation and Expenses:* The Trustee will apply the assets of the Trust Fund to pay the fees and expenses of the Independent Fiduciary, including the fees and expenses of legal counsel and other consultants, advisors or agents engaged by the Independent Fiduciary pursuant to the Independent Fiduciary Agreement, as directed by Solutia, except that no such direction shall be required for payment of a fee in an amount and at a time explicitly set forth in the Independent Fiduciary Agreement. The Independent Fiduciary's compensation shall constitute a lien on the Trust Fund.
7. *Construction of Agreement:* Nothing contained in this Trust Agreement shall impose upon the Independent Fiduciary a duty, obligation, responsibility or liability in addition to those set forth in the Independent Fiduciary Agreement, a copy of which shall be provided to the Trustee.

### ARTICLE XIII MISCELLANEOUS

1. *Duties and Obligations:* Except as otherwise provided herein, each fiduciary shall have only those powers, duties, responsibilities and obligations as are specifically allocated to it under the Trust Agreement. Solutia shall have no fiduciary duty or obligation under the Trust Agreement and, except as otherwise provided in Article V with respect to the funding of contributions, and Article X with respect to indemnification, Solutia shall have no further powers, duties, responsibilities, obligations or liabilities under the Trust Agreement.

2. *Benefits Not Guaranteed:* The Trustee does not guarantee the payment of benefits or the reimbursement to Solutia of any benefits. Each Participant and beneficiary of a Participant will look solely to Solutia for payment of their benefits. Nothing contained in the Trust or the 2007 Plan shall constitute a guarantee that the liquid assets of the Trust Fund will be sufficient to reimburse any benefit to any person or make any other payment. Payments to be paid from the Trust Fund are limited to the liquid assets remaining in the Trust Fund at the time payment is made. No Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from Solutia or the Trustee, on account of or as a result of the Trust Fund created hereunder.
3. *Rights Are Not Created:* Nothing appearing in or done pursuant to the Trust Agreement will be held or construed to give any person any legal or equitable right or interest in the Trust Fund or any part thereof or distribution therefrom, or against the Trustee, except as expressly provided in the 2007 Plan or Agreement or as provided in ERISA.
4. *No Alienation of Benefits:* No benefit, right or interest of any person hereunder will be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge or to seizure, attachment or other legal, equitable or other process; and the Trust will not be liable for, or subject to, the debts, liabilities or other obligations of such person. In the event of an attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge such benefit, right or interest, or to subject it to seizure, attachment or other legal, equitable or other process, such benefit, right or interest will immediately cease and terminate.
5. *Trust Exemption:* Solutia shall submit this Trust to the IRS for a determination of its status as a qualified voluntary employees' beneficiary association as described in Code section 501(c)(9).
6. *Destruction of Records:* The Trustee is authorized to cremate or otherwise destroy correspondence, or other files, including but not limited to, correspondence of transmittal for checks, statements and account analyses, and correspondence dealing with terminated or deceased Participants, after a period of six (6) years from the due date of any annual tax return with respect to each fiscal year of the Trust; provided, however, that the Trustee may destroy original documents or deliver them to Solutia, as the Trustee deems appropriate, at any time if the Trustee retains microfilm, microfiche, imaged or similarly reproduced records which are clear reproductions of original documents. If Solutia, in the said period shall notify the Trustee that the records are not to be destroyed, then such records shall be delivered to Solutia. Upon such proper destruction, removal or delivery, the Trustee shall be released from any and all liability pertaining to maintaining said records.
7. *Text Controls:* Headings and titles are for convenience only, and the text will control in all matters.
8. *Applicable State Law:* To the extent not preempted by ERISA, the provisions of the Trust Agreement will be construed, enforced and administered according to the laws of Missouri, without regard to the choice of law rules thereof.



9. *Severability:* If any provision of this Trust shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Trust.
10. *Notice:* Any written notice, demand, direction or instruction to be given to Solutia, the Retiree Liaison Committee, the Independent Fiduciary or Trustee pursuant to this Trust Agreement shall be duly given if mailed to:

the Trustee at:

Marshall & Ilsley Trust Company NA  
ATTN: Michele Miller, Relationship Manager  
3701 S. Lindbergh Blvd.  
St. Louis, MO 63127

with a copy to:

Marshall & Ilsley Trust Company NA  
ATTN: Stephanie Napier, Senior Trust Counsel  
4717 Grand Ave., Suite 400  
Kansas City, MO 64112

Solutia at:

General Counsel, Solutia Inc.

575 Maryville Centre Drive  
St. Louis, MO 63141.

the Retiree Liaison Committee at:

Solutia Retiree Liaison Committee  
c/o Kenneth M. Kettler  
331 Waverly Place Court  
Chesterfield, MO 63017

the Independent Fiduciary at:

Independent Fiduciary Services, Inc.  
805 15th Street NW  
Washington, DC 20005  
Att: Samuel W. Halpern, President.

EXECUTED as of the \_\_\_\_\_ day of \_\_\_\_\_ 2007.

By: \_\_\_\_\_

Title:

Solutia Inc.

By: \_\_\_\_\_

Title:

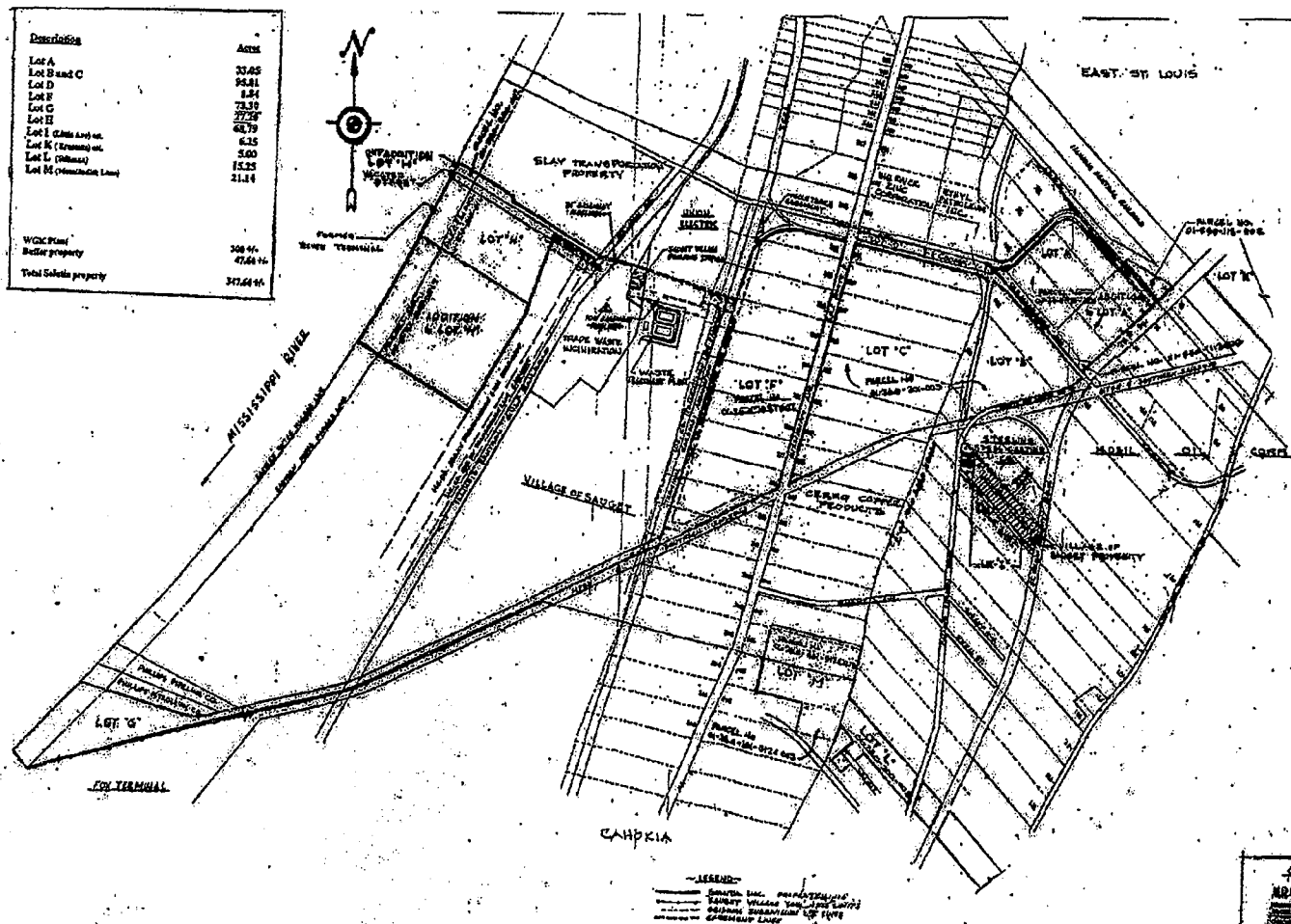
Marshall & Ilsley Trust Company NA

**EXHIBIT Q1  
TO MONSANTO SETTLEMENT  
AGREEMENT**



**EXHIBIT Q2  
TO MONSANTO SETTLEMENT  
AGREEMENT**

Parcels	Acres
Lot A	33.65
Lot B and C	54.81
Lot D	1.84
Lot E	73.30
Lot F	27.38
Lot G	43.39
Lot H (GMS and co.)	6.35
Lot K (Krummrich) co.	5.00
Lot L (offsite)	15.25
Lot M (Krummrich Land)	21.14
WGCP Plant	308.46
Other property	47.84 1/2
Total Solatia property	547.64 1/2



# **Exhibit O-2**

The Krummrich Plant (a Retained Site) includes the W.G. Krummrich Plant in Sauget, IL and all property adjacent or proximate thereto that has been owned or operated by Solatia on or after the Solatia Spin-Off, but specifically excludes Lots H, M and G (but G only to the extent that any contamination discovered thereon is similar to that discovered on Site Q). Lots H, M and G are highlighted in this Exhibit and are referenced on Appendix C.

**EXHIBIT R  
TO MONSANTO SETTLEMENT  
AGREEMENT**

**EXHIBIT R**  
**FORM OF**  
**REGISTRATION RIGHTS AGREEMENT**

THIS REGISTRATION RIGHTS AGREEMENT is entered into as of [ ], 2007 by and between Solutia Inc., a Delaware corporation (the “**Company**”), and Monsanto Company, a Delaware corporation (“**Monsanto**”).

**RECITALS**

The Company will issue to Monsanto shares of Common Stock (as defined below) pursuant to the Solutia Inc. Fourth Amended Joint Plan of Reorganization (the “**Plan**”) dated [ ], 2007.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises herein contained, the parties hereby agree as follows:

**AGREEMENT**

1. **Definitions.** Unless the context otherwise requires, the terms defined in this Section 1 shall have the meanings herein specified for all purposes of this Agreement, applicable to both the singular and plural forms of any of the terms herein defined.

“**Agreement**” means this Registration Rights Agreement.

“**Automatic Shelf Registration Statement**” means an automatic shelf registration statement as defined under Rule 405 of the Securities Act.

“**Board**” means the Board of Directors of the Company.

“**Commission**” means the Securities and Exchange Commission.

“**Common Stock**” means the common stock, par value \$.01, of the Company.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Free Writing Prospectus**” means a free writing prospectus, as defined in Rule 405 under the Securities Act.

“**Holder**” means Monsanto or any record or beneficial owner of Registrable Securities who became a party to this Agreement in accordance with Section 12 hereof.

“**Holders of a Majority of Registrable Securities**” means the Person or Persons who are the Holders of greater than 50% of the Registrable Securities then outstanding.

“**Initiating Holder**” means any Holder of Registrable Securities requesting registration pursuant to and in accordance with this Agreement.



**"NASD"** means the National Association of Securities Dealers, Inc.

**"Person"** means any natural person, corporation, trust, association, company, partnership, limited liability company, joint venture and other entity and any government, governmental agency, instrumentality or political subdivision.

The terms **"register," "registered" and "registration"** refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

**"Registration Date"** means the earlier of (i) the date upon which the Company first files on a Form 10-K or Form 10-Q as promulgated under the Exchange Act, or any amendment to such a Form 10-K or Form 10-Q, financial statements that include a balance sheet for a date and income statements for a period for which the Company has adopted fresh-start accounting in accordance with SOP 90-7 and (ii) the 135th day following the Effective Date (as defined in the Plan).

**"Registrable Securities"** means (i) the shares of Common Stock issued or to be issued to Monsanto, and (ii) any shares of Common Stock or other securities issued or issuable in respect of the Common Stock or the other securities referred to in clause (i) above by way of a spin-off, split-off, dividend, stock split or other distribution or in connection with a combination of shares, reclassification, merger, consolidation, reorganization or similar transaction; *provided, however*, that such shares of Common Stock or other securities shall constitute Registrable Securities only so long as (x) they have not been sold by a Holder to or through a broker or dealer or underwriter in a public distribution or a public securities transaction pursuant to an effective registration statement under the Securities Act, (y) they have not been sold by a Holder in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions and restrictive legends with respect to such Common Stock or other securities are removed upon the consummation of such sale and the seller and purchaser of such Common Stock or other securities receive an opinion of counsel for the Company, which shall be in form and content reasonably satisfactory to the seller and purchaser and their respective counsel, to the effect that such Common Stock or other securities in the hands of the purchaser are freely transferable without restriction or registration under the Securities Act in any public or private transaction, or (z) they are not capable of being sold by the holder thereof under Rule 144 (without giving effect to subsection (k) of Rule 144) in a single transaction.

**"Rule 144"** means Rule 144 as promulgated under the Securities Act.

**"Securities Act"** means the Securities Act of 1933, as amended.

**"WKSI"** means a well-known seasoned issuer as defined under Rule 405 of the Securities Act.

## 2. Demand Registration.

(a) Following the Registration Date, Holders of a Majority of Registrable Securities shall have the right to request, by delivery of a written notice to the Company (a

"Demand Notice"), that the Company file a registration statement under the Securities Act (a "Demand Registration Statement") covering all or a portion of the Registrable Securities for the purpose of effecting an offering of such Registrable Securities, whether underwritten or otherwise (a "Demand Registration"); *provided, however*, that no Initiating Holder shall be entitled to demand a Demand Registration Statement during the period when the Company is exercising its right to defer a Demand Registration pursuant to Section 2(b). Any such Demand Notice must request the registration of Registrable Securities having an aggregate market value, based on the average per share closing price of the Common Stock as reported on the principal exchange or market on which it is then traded over the ten (10) consecutive trading days prior to the date of the Demand Notice, of not less than twenty-five million dollars (\$25,000,000), or, if the registration statement will be on Form S-3, not less than ten million dollars (\$10,000,000). Subject to Section 6(b)(i), as soon as reasonably practicable, but in no event later than sixty (60) days (or thirty (30) days if the registration statement will be a shelf registration statement on Form S-3) after receiving a Demand Notice, the Company shall file with the Commission a registration statement covering the Registrable Securities subject to the Demand Notice. Subject to Sections 2(b) and 4, the Company shall use its reasonable best efforts to cause such registration statement to become effective as expeditiously as possible. Any registration under this Section 2 shall reflect such plan or method of distribution of the applicable securities as shall be designated by the Initiating Holder.

(b) Notwithstanding the provisions of Section 2(a), if the Company shall furnish to the Initiating Holder a certificate signed by the President and Chief Executive Officer of the Company stating that such officer has made a good faith determination that a registration would (i) require the disclosure of material nonpublic information concerning the Company, its business or prospects and that such premature disclosure would be materially adverse to the Company, and/or (ii) materially interfere with a pending transaction involving the Company or a subsidiary or affiliate of the Company, then the Company shall have the right to defer such filing or the effectiveness hereunder for a period ending not more than ninety (90) days after the Company's receipt of the applicable Demand Notice, *provided*, that the Company may not exercise its right under this Section 2(b) more than twice in any 24-month period; and provided further, that the Company may not exercise its rights under this Section 2(b) for two consecutive 90-day periods.

(c) Notwithstanding the provisions of Section 2(a), the Company shall not be obligated to (i) file or effect a Demand Registration Statement for an underwritten offering of Registrable Securities (an "Underwritten Demand Registration Statement") within a period of 90 days after the effective date of any other Underwritten Demand Registration Statement or an underwritten offering pursuant to a Shelf Demand Registration Statement (as defined below) or (ii) file or effect more than a total of two Underwritten Demand Registration Statements within any 12-month period; *provided, however*, that each Shelf Demand Registration Statement filed during the applicable 12-month period will reduce by one the number of Underwritten Demand Registration Statements the Company is obligated to file during such 12-month period.

(d) The Company may elect to register in any underwritten Demand Registration (an "Underwritten Demand Registration") any additional shares of Common Stock (including, without limitation, any shares of Common Stock to be distributed in a primary offering made by the Company) so long as the inclusion of such Common Stock by the Company

would not (as determined in the Initiating Holder's reasonable discretion), (i) be reasonably likely to delay in any material respect the Initiating Holder's ability timely to sell the Registrable Securities pursuant to the Underwritten Demand Registration Statement or (ii) cause a reduction in the number of Registrable Securities included in the Underwritten Demand Registration as a result of the Company's election to so register additional shares of Common Stock. Such election of the Company, if made, shall be made by the Company giving written notice to the Initiating Holder prior to the effectiveness of the Underwritten Demand Registration Statement stating (A) that the Company proposes to include additional shares of Common Stock in such Underwritten Demand Registration Statement, and (B) the number of shares of Common Stock proposed to be included.

### 3. Shelf Registration.

(a) Following the Registration Date, any Initiating Holder shall have the right to request, by delivery of a written notice to the Company (a "**Shelf Demand Notice**"), that (i) the Company file a shelf registration statement (a "**Shelf Registration Statement**") pursuant to Rule 415 under the Securities Act covering all or a portion of the Registrable Securities to enable the resale on a delayed or continuous basis of such Registrable Securities (a "**Shelf Demand Registration**") or (ii) if the Company is a WKSI and has an outstanding effective Form S-3 Registration Statement, the Company file a post-effective amendment to such Form S-3 Registration Statement covering all or a portion of the Registrable Securities; *provided, however*, that no Initiating Holder shall be entitled to demand a Shelf Registration Statement during the period when the Company is exercising its right to defer a Demand Registration pursuant to Section 2(b). Subject to Section 6(b)(i), as soon as reasonably practicable, but in no event later than forty-five (45) days after receiving a Shelf Demand Notice (or fifteen (15) days if the Company is a WKSI and then has an effective Form S-3 Registration Statement), the Company shall file with the Commission a Shelf Registration Statement on Form S-3 of the Commission or, if the Company is a WKSI and has an effective Form S-3 Registration Statement, a post-effective amendment thereto. Subject to Sections 3(b) and 3(c), the Company shall use its commercially reasonable best efforts to cause the Shelf Registration Statement to become effective as expeditiously as possible and to remain effective until the earlier of (x) the time all Registrable Securities subject thereto have been sold and (y) the third anniversary of the initial effective time, including by filing necessary post-effective amendments and prospectus supplements reasonably required by a Holder, subject to any blackout periods described in subparagraph (b) below. The Initiating Holder shall have the right to determine the plan and method of distribution for the Registrable Securities to be reflected in the Shelf Registration Statement in respect of which it is the Initiating Holder. Notwithstanding anything contained herein to the contrary, the Holders of Registrable Securities may not file, or request that the Company file, as required by Rule 424 of the Securities Act, more than three (3) prospectuses or prospectus supplements in connection with any Shelf Registration Statement in any thirty (30) day period.

(b) Notwithstanding the provisions of Section 3(a), if the Company is required to effect a Shelf Registration Statement or make any filing with the Commission pursuant to this Section 3 or if the Company has a Shelf Registration Statement in effect pursuant to this Section 3, and the Company furnishes to the Initiating Holder requesting such registration or filing or to the Holders of Registrable Securities included in such Shelf Registration Statement, as

applicable, a certificate signed by the President and Chief Executive Officer of the Company stating that such officer has made a good faith determination that a registration would (i) require the disclosure of material nonpublic information concerning the Company, its business or prospects and that such disclosure would be materially adverse to the Company, and/or (ii) materially interfere with a pending transaction involving the Company or a subsidiary or affiliate of the Company, then, the Company shall have the right to defer such filing or the effectiveness thereof for a period of not more than ninety (90) days after the Company's receipt of the applicable Shelf Demand Notice or prevent Holders of Registrable Securities from selling Registrable Securities pursuant to an effective Shelf Registration Statement for a period of not more than ninety (90) days after the Company delivers such certificate to the applicable Holder and demands that such Holder cease sales of securities under the Shelf Registration Statement (and during such period the Company shall not be obligated to file another Shelf Registration Statement during the period such sales under an effective Shelf Registration Statement are not allowed); *provided*, that the Company may not exercise its rights under this Section 3(b) more than two times in any 18-month period; and provided further, that the Company may not exercise its rights under this Section 3(b) for two consecutive 90-day periods.

(c) Notwithstanding the provisions of Section 3(a), the Company shall not be obligated to file a Shelf Registration Statement within a period of ninety (90) days after the effective date of any Underwritten Demand Registration Statement or an underwritten offering pursuant to a Shelf Registration Statement or (ii) file or effect more than a total of three (3) Shelf Registration Statements within any 12-month period; *provided, however*, that each filing of an Underwritten Demand Registration Statement during the 12-month period will reduce by one the number of Shelf Registration Statements that the Company is obligated to file during such 12-month period.

(d) Upon the receipt by the Company of a Shelf Demand Notice given in accordance with and subject to Section 3(a) hereof, the Company shall give prompt written notice to all Holders of Registrable Securities (other than the Initiating Holder) that a Shelf Registration Statement pursuant to this Section 3 is being effected. In the event that any such Holder delivers to the Company a written request within fifteen (15) days after the delivery of such written notice to the Holder by the Company, to include in such Shelf Registration Statement Registrable Securities of the Holder the Company shall include such Registrable Securities in the Shelf Registration Statement, including by means of a pre-effective or post-effective amendment thereto; *provided, however*, that if the inclusion of the Registrable Securities of such Holders in such registration statement would, in the opinion of the Initiating Holders, be reasonably likely to delay in any material respect the Initiating Holder's ability timely to sell the Registrable Securities pursuant to the Shelf Registration Statement, the Company shall not include such Holders' Registrable Securities in the Shelf Registration Statement without the prior written consent of the Initiating Holder.

(e) Following the Registration Date, any Initiating Holder shall have the right to request, by delivery of a written notice to the Company (a "**Shelf Underwritten Demand Notice**"), that the Company effect an underwritten offering of all or a portion of the Registrable Securities included in an existing Shelf Registration Statement. Any such Shelf Underwritten Demand Notice must request an underwritten offering of Registrable Securities having an aggregate market value, based on the average per share closing price of the Registrable

Securities as reported on the principal exchange or market on which the Common Stock is then traded over the ten (10) consecutive trading days prior to the date of the Shelf Demand Notice, of not less than thirty million dollars (\$30,000,000). Subject to Section 6(b)(i), as soon as reasonably practicable after receiving a Shelf Underwritten Demand Notice, but in no event later than twenty (20) days after receiving a Shelf Underwritten Demand Notice, the Company shall file with the Commission such amendments to the applicable Shelf Registration Statements and such prospectus supplements or other filings as are necessary in connection with the underwritten offering of the Registrable Securities subject to the Shelf Underwritten Demand Notice, subject to Sections 3(b) and Section 4. Any prospectus supplement or other filing with the Commission including a plan or method of distribution of the securities subject to an underwritten offering pursuant to this Section 3 shall reflect the plan or method of distribution of such securities as shall be designated by the managing underwriter of the offering.

(f) The Company may elect to register in any Shelf Registration Statement any additional shares of Common Stock (including, without limitation, any shares of Common Stock to be distributed in a primary offering made by the Company) so long as the inclusion of such Common Stock by the Company would not (as determined in the Initiating Holder's reasonable discretion), (i) be reasonably likely to delay in any material respect the Initiating Holder's ability timely to sell the Registrable Securities pursuant to the Shelf Registration Statement or (ii) cause a reduction in the number of Registrable Securities included in the Shelf Demand Registration as a result of the Company's election to so register additional shares of Common Stock. Such election of the Company, if made, shall be made by the Company giving written notice to the Initiating Holder stating (A) that the Company proposes to include additional shares of Common Stock in such Shelf Registration Statement, and (B) the number of shares of Common Stock proposed to be included.

#### 4. Underwritten Offerings.

(a) The Initiating Holder shall have the right to select the book-running managers and the co-managers (collectively, the "**managing underwriter**") in connection with any underwritten offering pursuant to Section 2 or Section 3, *provided*, that the selection of the managing underwriter by the Initiating Holder shall be subject to the reasonable approval of the Company. In connection with any underwritten offering, the Company and the Initiating Holder shall enter into an underwriting agreement with the underwriter or underwriters selected for such underwriting, *provided*, that such underwriting agreement is in customary form and provides for customary compensation, expense reimbursement and indemnification.

(b) Upon the receipt by the Company of an Underwritten Demand Notice or a Shelf Underwritten Demand Notice given in accordance with this Agreement, the Company shall give prompt written notice to all Holders of Registrable Securities (other than the Initiating Holder) that an underwritten offering pursuant to Section 2 or Section 3, as applicable is being effected. In the event that any such Holder delivers to the Company, within fifteen (15) days after the delivery of such written notice to the Holder by the Company, a written request to include in such underwritten offering any Registrable Securities of the Holder, the Company shall include such Registrable Securities in the registration statement; provided that the Company need not include in an underwritten offering pursuant to Section 3 any Registrable Securities that are not then included in the applicable Shelf Registration Statement (unless the Company is then

a WKSI). The right of any Holder to include Registrable Securities in any underwritten offering shall be conditioned upon such Holder's willingness to enter into an underwriting agreement with the underwriter or underwriters selected for such offering (in each case, unless otherwise mutually agreed by such Holder, the Initiating Holders and the Company).

(c) Notwithstanding the foregoing, if the managing underwriter of an underwritten offering in connection with any registration pursuant to Section 2 or Section 3 advises the Company and the Holders of Registrable Securities participating in such offering in writing that in its good faith judgment the number of Registrable Securities requested to be included in such offering exceeds the number of Registrable Securities which can be sold in such offering at a price acceptable to the applicable Initiating Holder, then (i) the number of Registrable Securities so requested to be included in such offering shall be reduced to that number of shares which in the good faith judgment of the managing underwriter can be sold in such offering at such price and (ii) this reduced number of Registrable Securities shall be allocated among all Holders of Registrable Securities in proportion, as nearly as practicable, to the respective number of shares of Registrable Securities then held by such Holders.

(d) Those Registrable Securities which are excluded from an underwriting in connection with any registration pursuant to Section 2 or Section 3 hereof by reason of the managing underwriter's marketing limitation and all other Registrable Securities not originally requested to be so included shall not be included in such offering and shall be withheld from the market by the Holders thereof for a period (not to exceed ninety (90) days) which the managing underwriter reasonably determines is necessary to effect the underwritten offering.

(e) If the managing underwriter has not limited the number of Registrable Securities to be included in an underwritten offering pursuant to Section 2 or Section 3, the Company and, subject to the requirements of Section 8 hereof, the other holders of the Company's securities may include securities for its (or their) own account in such registration if the managing underwriter so agrees and if the number of Registrable Securities which would otherwise have been included in such offering will not thereby be limited. The Company shall not grant registration rights to any holders of the Company's securities that are more favorable to such holders without the prior written consent of Holders of a Majority of Registrable Securities. Without limiting the foregoing sentence, in the event that the Company grants or has previously granted registration rights to any holders of the Company's securities that are more favorable to such holders (including, without limitation, in connection with the backstop of the rights offering to creditors contemplated under the Plan), the Company shall promptly amend this Agreement to provide such more favorable terms to the Holders of Registrable Securities.

##### 5. Piggyback Registration.

(a) Each time the Company shall determine to file a registration statement under the Securities Act (other than on Form S-4 or Form S-8 or a registration statement on Form S-1 or Form S-3 covering solely an employee benefit plan) in connection with the proposed offer and sale of any of its securities of the same class as the Registrable Securities either for its own account or on behalf of any other security holder (other than a registration pursuant to Section 2 or Section 3), the Company agrees to give prompt written notice of its determination to all Holders of Registrable Securities. In the event that any such Holder delivers to the Company,

within fifteen (15) days after the delivery of such written notice to the Holder by the Company, a written request to include in such registration statement any Registrable Securities of the Holder, the Company shall include such Registrable Securities in such registration statement, all to the extent required to permit the sale or other disposition by the prospective seller or sellers of the Registrable Securities to be so registered.

(b) If the registration of which the Company gives written notice pursuant to Section 5(a) is for a public offering involving an underwriting, the Company shall so advise the Holders as a part of its written notice. In such event the right of any Holder to registration pursuant to this Section 5 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. Holders proposing to distribute their Registrable Securities through such underwriting agree to enter into (together with the Company and the other Holders distributing their securities through such underwriting) an underwriting agreement with the underwriter or underwriters selected for such underwriting by the Company.

(c) Notwithstanding any other provision of this Section 5, if the managing underwriter of an underwritten offering in connection with the registration pursuant to this Section 5 advises the Company and the Holders of the Registrable Securities participating in such registration in writing that in its good faith judgment the number of Registrable Securities and the other securities requested to be registered (i) exceeds the number of Registrable Securities and other securities which can be sold in such offering at a price acceptable to the Company, or (ii) would jeopardize the success of the offering, then (A) the number of Registrable Securities and other securities proposed to be included in the offering shall be reduced to that number which in the good faith judgment of the managing underwriter can be sold in such offering at a price acceptable to the Company and (B) such reduced number shall be allocated:

- A. If the registration is on behalf of the Company:
  - a. First, to the Company, such that all securities proposed to be registered by or on behalf of the Company are included in the registration statement;
  - b. Next, among all Holders of Registrable Securities in proportion, as nearly as practicable to the respective number of Registrable Securities held by such Holders at the time of the filing of the registration statement; and
  - c. Last, among all other participating holders proposing to register securities other than Registrable Securities, in the manner determined by the Company.
- B. If the registration is on behalf of holders of Common Stock other than any Holder of Registrable Securities:
  - a. First, among all participating holders other than any stockholder participants in the manner determined by the Company and among all Holders of Registrable Securities in proportion, as nearly as practicable to the respective number of Registrable Securities and other shares of Common Stock held by such persons at the time of the filing of the registration statement; and

- b. Last, to the Company, for such number of shares of Common Stock as may be included in the registration statement.

(d) Those Registrable Securities which are excluded from the underwriting by reason of the managing underwriter's marketing limitation and all other Registrable Securities not originally requested to be so included shall not be included in such registration.

6. Registration Procedures.

(a) If and whenever the Company is required by the provisions of Section 2 or 3 to effect the registration of Registrable Securities under the Securities Act, the Company, at its expense and as expeditiously as possible shall use its reasonable best efforts to effect such registration and so as to permit the sale of the applicable Registrable Securities in accordance with the intended method or methods of distribution thereof in conformity with any required time period set forth therein, and in connection therewith the Company agrees to:

(i) in accordance with the Securities Act and all applicable rules and regulations promulgated thereunder, prepare and file with the Commission a registration statement with respect to such securities and use its reasonable best efforts to cause such registration statement to become and remain effective for a period of 120 consecutive days (unless the registration is a Shelf Registration Statement in which case such period shall extend until the earlier of (x) the time all Registrable Securities subject thereto have been sold and (y) the third anniversary of the initial effectiveness thereof, subject to the Company's rights to cause Holders of Registrable Securities to cease sales under an effective Shelf Registration Statement pursuant to Section 3(b)), and prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus contained therein as may be necessary to keep such registration statement effective and such registration statement and prospectus accurate and complete and to permit the Holders of Registrable Securities subject to such registration statement to sell such securities; provided, that the Company shall provide counsel selected by the Holders of a majority of the Registrable Securities being registered in such registration ("**Holders' Counsel**") with a reasonable opportunity to participate in the preparation of such registration statement and each prospectus included therein (and each amendment or supplement thereto) to be filed with the Commission.

(ii) if an offering is to be underwritten in whole or in part, enter into a written underwriting agreement in form and substance reasonably satisfactory to the Company, the managing underwriter of the offering, the Initiating Holder (in the case of a underwritten offering pursuant to Section 2 or Section 3) and to Holders of a majority of the Registrable Securities participating in such offering (in the case of a registration pursuant to Section 3);

(iii) furnish to the Holders of securities participating in such registration and to the underwriters of the securities being registered such number of copies of the registration statement and each amendment and supplement thereto, preliminary prospectus, final prospectus, prospectus supplement and such other documents as such underwriters and Holders may reasonably request;



(iv) use its reasonable best efforts to register and qualify the securities covered by such registration statement under such state securities or blue sky laws of such jurisdictions as such participating Holders of Registrable Securities and underwriters may reasonably request, except that the Company shall not for any purpose be required to execute a general consent to service of process or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified;

(v) notify the Holders of Registrable Securities participating in such registration, promptly after it shall receive notice thereof, of the date and time when (i) such registration statement and each post-effective amendment thereto has become effective or a prospectus or supplement to any prospectus relating to a registration statement has been filed and (ii) any registration or qualification has become effective under a state securities or blue sky law or any exemption thereunder has been obtained;

(vi) notify such Holders of Registrable Securities promptly of any request by the Commission for the amending or supplementing of such registration statement or prospectus or for additional information;

(vii) notify such Holders of Registrable Securities promptly upon learning of the occurrence of any event as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(viii) prepare and file promptly with the Commission, and notify such Holders of Registrable Securities prior to the filing of, such amendments or supplements to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, when any event has occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

(ix) in case any of such Holders of Registrable Securities or any underwriter for any such Holders is required to deliver a prospectus at a time when the prospectus then in circulation is not in compliance with the Securities Act or the rules and regulations promulgated thereunder, the Company shall use reasonable best efforts to prepare promptly upon request such amendments or supplements to such registration statement and such prospectus as may be necessary in order for such prospectus to comply with the requirements of the Securities Act and such rules and regulations;

(x) advise such Holders of Registrable Securities and Holders' Counsel (if any), promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use its reasonable best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;

(xi) at the request of any Holder of Registrable Securities covered by such registration statement, (i) furnish to such Holder on the effective date of the registration statement, upon the filing of a prospectus supplement with respect to such registration statement or, if such registration includes an underwritten offering, at the closing provided for in the underwriting agreement, an opinion dated such date of the counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to the Holder or Holders making such request, covering such matters with respect to the registration statement, the prospectus and each amendment or supplement thereto, proceedings under state, federal and other securities laws, other matters relating to the Company, the securities being registered and the offer and sale of such securities as are customarily the subject of opinions of issuer's counsel provided to underwriters in underwritten public offerings, and such opinion of counsel shall additionally cover such legal matters with respect to the registration as such requesting Holder or Holders may reasonably request, and (ii) use its reasonable best efforts to furnish to such Holders letters dated each of such effective date, the date of the filing of a prospectus supplement and such closing date, from the independent certified public accountants of the Company, addressed to the underwriters, if any, and to the Holder or Holders making such request, stating that they are independent certified public accountants within the meaning of the Securities Act and dealing with such customary matters as the underwriters may request, or if the offering is not underwritten that in the opinion of such accountants the financial statements and other financial data of the Company included in the registration statement or the prospectus or any amendment or supplement thereto comply in all material respects with the applicable accounting requirements of the Securities Act, and additionally covering such other accounting and financial matters as such requesting Holder or Holders may reasonably request;

(xii) list the Registrable Securities (and to maintain such listing during the pendency of the relevant registration period) on any exchange on which the securities of the Company of the same class with Registrable Securities are listed;

(xiii) make available for inspection by any Holder of Registrable Securities covered by the registration statement, any managing underwriter participating in any disposition pursuant to such registration statement, Holders' Counsel (if any) and any attorney, accountant or other agent retained by any such Holder or any managing underwriter (each, an "Inspector" and collectively, the "Inspectors"), during regular business hours and upon reasonable advance notice, all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees, and the independent public accountants of the Company, to supply all information reasonably requested by any such Inspector in connection with such registration statement, subject to obligations of confidentiality;

(xiv) no more than once in any 120 day period, make senior executives of the Company available, upon reasonable prior notice and subject to reasonable scheduling flexibility, to assist the underwriters with respect to, and to accompany the underwriters on the so-called "road show" in connection with, marketing efforts for the

distribution and sale of Registrable Securities pursuant to an underwritten offering so long as the fulfillment of this Section 6(a)(xiv) shall not materially impair such senior executives' management of the Company and other activities on behalf of the Company and so long as any related expenses (including, without limitation, expenses of the Company and participating senior executives) not required to be paid by the Company pursuant to Section 7(b) are paid by the Holders requesting such "road show" participation and assistance; and

(xv) prepare other offering materials in a form customarily used in similar transactions or on the request of any Holder of Registrable Securities or any managing underwriter.

(b) Each Holder of Registrable Securities included for registration agrees to:

(i) provide the Company with such information and assistance as reasonably requested by the Company to effect such registration under the Securities Act;

(ii) keep confidential that the Company has exercised its rights under Sections 2(b), 3(b) and any other confidential information provided by the Company in connection with this Agreement; and

(iii) comply, with the prospectus delivery requirements and other provisions of the Securities Act and the Exchange Act and the respective rules and regulations promulgated thereunder, particularly Regulation M thereunder (or any successor rules or regulations), in connection with any offering of Registrable Securities.

(c) Certain legal consequences arise from being named as a selling securityholder in a registration statement and related prospectus. Accordingly, each Holder of Registrable Securities acknowledges that it has been advised to consult its own independent securities law counsel regarding the consequences of demanding or requesting registration of Registrable Securities hereunder or being named or not being named as a selling securityholder in the registration statement and related prospectus.

## 7. Expenses.

(a) With respect to each inclusion of shares of Registrable Securities in a registration statement pursuant to Section 2 or Section 3, the Company agrees to bear all fees, costs and expenses of such registration and any public offerings in connection therewith (including without limitation the fees and expenses of Holder's Counsel, if any, which shall not exceed \$35,000 in respect of any one such inclusion or \$70,000 in the aggregate, and all registration and qualification fees and printing expenses); provided, however, that Holders of Registrable Securities participating in any such registration agree to bear their pro rata share of the underwriting discount and commissions, and any expenses associated or incurred in connection with the "road show" or other marketing efforts, the expenses of which are not required to be paid by the Company pursuant to subparagraph (b) below shall be paid by the Holders of Registrable Securities requesting the same.

(b) The fees, costs and expenses of registration to be borne as provided in paragraph (a) above, shall consist of (i) all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company, (ii) all legal fees and disbursements and other expenses of the Company complying with state securities or blue sky laws of any jurisdictions in which the securities to be offered are to be registered or qualified and (iii) the company's expenses associated with the "road show" or other marketing efforts for the distribution and sale of Registrable Securities registered under two underwritten registration statements filed pursuant to either Section 2 or 3.

(c) Notwithstanding the foregoing, the Company shall pay the expenses of a registration statement requested pursuant to Section 2 or Section 3 only with respect to the first five (5) registration statements so filed (and then only to the extent provided for in this Section 7) and all expenses related to any additional registration statements, including those fees and expenses set forth in Section 7(b), shall be paid by the Initiating Holder and/or the Holders of Registrable Securities on a pro rata basis; provided that, in the event that a registration pursuant to Section 2 or 3 is requested by an Initiating Holder and such request is withdrawn prior to the filing of a registration statement by the Company, or the Holders of Registrable Securities cause the Company to withdraw a registration statement prior to its effectiveness, then either (at the election of the Initiating Holder), (i) the Initiating Holder and other Holders of Registrable Securities requesting inclusion of their shares in such registration shall bear pro rata all fees, costs and expenses of the registration and preparation of the registration statement and such requested registration statement shall not be deemed to be one of the registration statements for which the Company is required to pay expenses pursuant to this Section 7, or (ii) such requested registration statement shall be deemed to be one of the registration statements for which the Company is required to pay the expenses pursuant to this Section 7; provided, further, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company as of the date of their request for such registration statement not known to the Initiating Holder or publicly available at the time of its request and have withdrawn their request solely on such basis and with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such requested registration statement shall not be deemed to be one of the registration statements for which the Company is required to pay expenses pursuant to this Section 7.

#### 8. Indemnification.

(a) The Company hereby agrees to indemnify and hold harmless each Holder of Registrable Securities which are included in a registration statement pursuant to the provisions of this Agreement and each of such Holder's officers, directors, partners, members, legal counsel and accountants, and each Person who controls such Holder within the meaning of the Securities Act and any underwriter (as defined in the Securities Act) for such Holder, and any Person who controls such underwriter within the meaning of the Securities Act, from and against, and agrees to reimburse such Holder, its officers, directors, partners, members, legal counsel, accountants and controlling Persons and each such underwriter and controlling Person of such underwriter with respect to, any and all claims, actions (actual or threatened), demands, losses, damages, liabilities, costs and expenses to which such Holder, its officers, directors, partners, members, legal counsel, accountants or controlling Persons, or any such underwriter or controlling Person

of such underwriter who may become subject under the Securities Act or otherwise, insofar as such claims, actions, demands, losses, damages, liabilities, costs or expenses arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus related thereto, or any amendment or supplement thereto, (ii) the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law in connection with the offering covered by such registration statement; *provided, however*, that the Company will not be liable to any such Person to the extent that any such claim, action, demand, loss, damage, liability, cost or expense is caused by an untrue statement or alleged untrue statement or omission or alleged omission of material fact so made in strict conformity with written information furnished by such Holder, such underwriter or such controlling Person specifically for use in the preparation thereof.

(b) Each Holder of shares of Registrable Securities which are included in a registration statement pursuant to the provisions of this Agreement hereby agrees (severally and not jointly) to indemnify and hold harmless the Company, its officers, directors, legal counsel and accountants and each Person who controls the Company within the meaning of the Securities Act, from and against, and agrees to reimburse the Company, its officers, directors, legal counsel, accountants and controlling Persons with respect to, any and all claims, actions, demands, losses, damages, liabilities, costs or expenses to which the Company, its officers, directors, legal counsel, accountants or such controlling Persons may become subject under the Securities Act or otherwise, insofar as such claims, actions, demands, losses, damages, liabilities, costs or expenses are caused by any untrue or alleged untrue statement of any material fact contained in such registration statement, any prospectus related thereto or any amendment or supplement thereto, or are caused by the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in strict conformity with written information furnished by such Holder specifically for use in the preparation thereof and such untrue statement or omission of material fact was not subsequently corrected in a subsequent writing from such Holder to the Company at least 36 hours prior to sale of Registrable Securities to the Person asserting the claim or loss; *provided, however*, that the indemnity agreement contained in this subsection 8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld or delayed; *provided, further*, that the total amounts payable in indemnity by a Holder under this subsection 8(b) shall not exceed the net proceeds received by such Holder in the registered sale out of which such claim, action, demand, loss, damage, liability, cost, or expense arises.

(c) Promptly after receipt by a party indemnified pursuant to the provisions of subsection (a) or (b) of this Section 8 of notice of the commencement of any action involving the subject matter of the foregoing indemnity provisions, such indemnified party will, if a claim therefore is to be made against the indemnifying party pursuant to the provisions of subsection

(a) or (b), notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8 and shall not relieve the indemnifying party from liability under this Section 8 unless such indemnifying party is actually and materially prejudiced by such omission. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying parties similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; *provided, however*, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from, conflict with or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel (in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties). Upon the permitted assumption by the indemnifying party of the defense of such action, and approval by the indemnified party of counsel, the indemnifying party shall not be liable to such indemnified party under subsection (a) or (b) for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time, (iii) the indemnifying party and its counsel do not actively and vigorously pursue the defense of such action, or (iv) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. No indemnifying party shall be liable to an indemnified party for any settlement of any action or claim without the consent of the indemnifying party and no indemnifying party may unreasonably withhold its consent to any such settlement. No indemnifying party will consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability with respect to such claim or litigation.

(d) If the indemnification provided for in subsection (a) or (b) of this Section 8 is held by a court of competent jurisdiction to be unavailable to a party to be indemnified with respect to any claims, actions, demands, losses, damages, liabilities, costs or expenses referred to therein, then each indemnifying party under any such subsection, in lieu of indemnifying such indemnified party thereunder, hereby agrees to contribute to the amount paid or payable by such indemnified party as a result of such claims, actions, demands, losses, damages, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions which resulted in such claims, actions, demands, losses, damages, liabilities, costs or expenses, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing, the

amount any Holder of Registrable Securities shall be obligated to contribute pursuant to this subsection (d) shall be limited to an amount equal to the per share sale price (less any underwriting discount and commissions) multiplied by the number of shares of Registrable Securities sold by such Holder pursuant to the registration statement which gives rise to such obligation to contribute (less the aggregate amount of any damages which such Holder has otherwise been required to pay in respect of such claim, action, demand, loss, damage, liability, cost or expense or any substantially similar claim, action, demand, loss, damage, liability, cost or expense arising from the sale of such Registrable Securities).

(c) No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution hereunder from any person who was not guilty of such fraudulent misrepresentation.

(f) The obligations of the Company and Holders under this Section 8 shall survive the completion of any offering of Registrable Securities in a registration statement and termination of this Agreement.

#### 9. Stockholder Information.

The Company may request each Holder of Registrable Securities as to which any registration is to be effected pursuant to this Agreement to furnish the Company with such information with respect to such Holder and the distribution of such Registrable Securities as the Company may from time to time reasonably request in writing and as shall be required by law or by the Commission in connection therewith, and each Holder of Registrable Securities as to which any registration is to be effected pursuant to this Agreement agrees to promptly furnish the Company with such information.

#### 10. Forms.

All references in this Agreement to particular forms of registration statements are intended to include, and shall be deemed to include, references to all successor forms which are intended to replace, or to apply to similar transactions as, the forms herein referenced.

#### 11. Agreements of the Holders of Registrable Securities.

(a) Each Holder of Registrable Securities agrees in connection with any registration of the Company's securities that, upon the request of the managing underwriter of any underwritten offering of the Company's securities, it or he or she shall not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any capital stock of the Company (other than the securities included in such registration) without the prior written consent of such managing underwriter for a period not to exceed ninety (90) days ) (the "Lock-Up Period"), *provided, however*, that each Holder of Registrable Securities also agrees that such Lock-Up Period may be automatically extended by an additional eighteen (18) days pursuant to the terms of the agreement entered into with such managing underwriter. The Company may impose stop transfer instructions with respect to the Registrable Securities subject to the foregoing restriction until the end of the Lock-Up Period.

(b) Each Investor represents that it has not prepared or had prepared on its behalf or used or referred to, and agrees that it will not prepare or have prepared on its behalf or use or refer to, any Free Writing Prospectus, and has not distributed and will not distribute any written materials in connection with the offer or sale of the Common Stock without the prior express written consent of the Company and, in connection with any underwritten offering, the underwriters.

## 12. Transfer of Registration Rights.

The rights to cause the Company to register securities granted to the Holders of Registrable Securities pursuant to this Agreement may be transferred or assigned only to (i) an affiliate or immediate family member of a Holder of Registrable Securities or (ii) an immediate or remote transferee of the Holder of Registrable Securities who, after such transfer, is the Holder of not less than 5% of the number of shares of Registrable Securities outstanding as of the date of this Agreement; provided that the transferee first agrees in writing to be bound by the terms of this Agreement.

## 13. Miscellaneous.

### 13.1. Waivers and Amendments.

(a) With the written consent of the Holders of a Majority of the Registrable Securities, the obligations of the Company and the rights of the Holders of Registrable Securities under this Agreement may be waived (either generally or in a particular instance, either retroactively or prospectively and either for a specified period of time or indefinitely), and with such consent the Company may enter into a supplementary agreement for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of any supplemental agreement or modifying in any manner the rights and obligations hereunder of the Holders of Registrable Securities and the Company; *provided, however*, that no such waiver or supplemental agreement shall reduce the aforesaid proportion of Registrable Securities, the Holders of which are required to consent to any waiver or supplemental agreement, without the consent of the Holders of all of the Registrable Securities.

(b) Upon the effectuation of each such waiver, consent or agreement of amendment or modification, the Company agrees to give prompt written notice thereof to the Holders of the Registrable Securities who have not previously consented thereto in writing.

(c) Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally or by course of dealing, but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Specifically, but without limiting the generality of the foregoing, the failure of any party hereunder at any time or times to require performance of any provision hereof by the Company shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of the breach of any term or provision contained in this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.



13.2. Effect of Waiver or Amendment.

(a) Each Holder of Registrable Securities acknowledges that by operation of Section 13.1 hereof the Holders of a Majority of the Registrable Securities will, subject to the limitations contained in Section 13.1, have the right and power to diminish or eliminate certain rights of such Holder under this Agreement.

13.3. Rights of Holders of Registrable Securities.

(a) Each Holder of Registrable Securities shall have the absolute right to exercise or refrain from exercising any right or rights which such Holder may have by reason of this Agreement or any Registrable Security, including, without limitation, the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such Holder shall not incur any liability to any other Holder with respect to exercising or refraining from exercising any such right or rights.

13.4. Notices.

(a) All notices, requests or consents required or permitted under this Agreement shall be made in writing and shall be given to the other parties by personal delivery, registered or certified mail (with return receipt), overnight air courier (with receipt signature) or facsimile transmission (with "answerback" confirmation of transmission), sent to such party's addresses or telecopy numbers as follows:

If to the Company:

Solutia Inc.  
575 Maryville Centre Dr.  
St. Louis, MO 63141  
Attn: General Counsel

with a copy to:

Kirkland & Ellis LLP  
Citicorp Center  
153 East 53<sup>rd</sup> Street  
New York, NY 10022  
Fax: (212) 446-4900  
Attn: Thomas W. Christopher  
Christian O. Nagler

If to Monsanto:

[ ]

with a copy to:

[ ]

Each such notice, request or consent shall be deemed effective upon the date of actual receipt, receipt signature or confirmation of transmission, as applicable (or if given by registered or certified mail, upon the earlier of (i) actual receipt or (ii) three days after deposit thereof in the United States mail (with respect to addresses within the United States) or ten (10) days after deposit thereof in the United States mail (with respect to addresses outside of the United States).

13.5. Severability.

(a) Should any one or more of the provisions of this Agreement or of any agreement entered into pursuant to this Agreement be determined to be illegal or unenforceable, all other provisions of this Agreement and of each other agreement entered into pursuant to this Agreement, shall be given effect separately from the provision or provisions determined to be illegal or unenforceable and shall not be affected thereby.

13.6. No Third Parties.

(a) Subject to Section 8 hereof, this Agreement shall not run to the benefit of or be enforceable by any Person other than a party to this Agreement or, with respect to the Company, any successor thereto.

13.7. Headings.

(a) The headings of the sections, subsections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

13.8. Choice of Law.

(a) It is the intention of the parties that the internal substantive laws, and not the laws of conflicts, of the State of New York should govern the enforceability and validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties.

13.9. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, with the same effect as if all

parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

13.10. Reports Under the Exchange Act. In order to provide the Holders the use of Sections 2 and 3 hereof, and so long as there are Registrable Securities outstanding, the Company will (i) file in a timely manner (giving effect to any delay permitted by the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder) the reports required to be filed by it pursuant to the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder; (ii) make and keep public information available, as those terms are understood and defined in the General Instructions to Form S-3, or any successor or substitute form, and in Rule 144 under the Securities Act, or (iii) will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities on Form S-3 (or any successor or substitute form) or without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 or Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such information and requirements and, to the extent available, with a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell securities without registration only if such report is not available at [www.sec.gov](http://www.sec.gov) or on the Company's website.

13.11. Entire Agreement/Effectiveness.

This Agreement contains the entire understanding of the parties hereto in respect of its subject matter and supersedes all prior and contemporaneous agreements and understandings, oral and written, between the parties with respect to such subject matter.

[signature page follows]

**[REGISTRATION RIGHTS AGREEMENT SIGNATURE PAGE]**

IN WITNESS WHEREOF, the parties hereto, intending to be bound by the terms of this agreement, have caused this Registration Rights Agreement to be executed by its duly authorized officer as of the date first above written.

Solutia Inc.

By: \_\_\_\_\_  
Name:  
Title:

Monsanto Company

By: \_\_\_\_\_  
Name:  
Title: